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ABSTRACT

This manual is designed to provide fundamental directions for systematic financial reporting and cost analysis for the administrators, accountants, bookkeepers, and staff of day care, Project Head Start, and other programs. The major aims of the manual are to induce day care directors to adopt uniform bookkeeping procedures and to analyze costs according to function. Part I includes some standard bookkeeping practices: a detailed description of a bookkeeping system based on accrual accounting, practice exercises for bookkeeping, and instructions for setting up a general ledger and journal, and cash receipts and cash disbursements journals. Part II covers the strategy for day care cost analysis; guidelines for imputed income and expenses; a means of studying the utilization of time; and instructions for analyzing cost, calculating units of service and calculating the cost per child-hour and per child-year. Worksheets are included. Appendices have outlines of supplementary financial material. (SET)

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FINANCIAL REPORTING AND COST ANALYSIS MANUAL

DAY CARE • HEAD START • OTHER PROGRAMS

PS 006986

COUNCIL FOR COMMUNITY SERVICES

COUNCIL FOR COMMUNITY SERVICES
IN METROPOLITAN CHICAGO

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ED 085099

FINANCIAL REPORTING AND COST ANALYSIS MANUAL

FOR DAY CARE CENTERS, HEAD START, AND OTHER PROGRAMS

This manual has been prepared under Grant Number D-296C-3(R) from the United States Department of Health, Education, and Welfare, Office of Child Development

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FOREWORD

This new financial reporting and cost analysis manual has been developed over a three-year period by the Council for Community Services in Metropolitan Chicago. It has been funded by the United States Department of Health, Education, and Welfare, Children's Bureau and Office of Child Development. The first manual, *Day Care Cost Analysis, A Manual of Instructions*, was published in July 1971 and subsequently tested in twenty-nine centers in the Chicago area and downstate Illinois. The results of testing were published in May 1972 in a report titled *Findings, Day Care Cost Analysis Project.*

The testing of the manual and the workshops held with representatives of participating centers, the Chicago Head Start administrative and program staff, and representatives from Health, Education, and Welfare divisions in Washington produced a number of recommendations that were influential in the development of this new *Financial Reporting and Cost Analysis Manual* for day care and other child service programs.

This new manual is designed to provide fundamental directions to administrators, accountants, bookkeepers, and staff to the end that systematic financial reporting and cost analysis will be accomplished.

The Day Care Cost Analysis project funding ended January 31, 1973. This manual completes the tasks identified in the project periods.

The staff of the Council and project are indebted to the many participants in this process, including the directors of the twenty-nine centers and their staffs, Mr. William H. Ireland of the Illinois Department of Children and Family Services and Mrs. Lillian Tauber, Director of Children's Services, Chicago Head Start Programs.

Special recognition is due Dr. Charles P. Gershenson for his leadership and guidance in the early development of this project, and Ms. Helen Howerton, Project Officer, Office of Child Development, for her continued assistance, guidance, and direction since early 1972.

Jean E. Bedger
Research Director

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FINANCIAL REPORTING

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1

FOR ADMINISTRATORS

This *Manual* offers a guide to financial reporting and cost analysis for day care centers. Its major aims are to induce day care directors to adopt uniform bookkeeping procedures and to analyze costs according to function.

It is a timely publication for several reasons. First, reliable information on the costs of day care services has been lacking, and a system for collecting this information and analyzing cost data is greatly needed. Second, day care centers use a variety of record-keeping procedures, some of which are unsystematic and inaccurate. Centers need guidance in setting up and keeping records. Third, the variety of record systems being used makes the obtaining of accurate cost analysis information difficult, if not impossible. A uniform record-keeping system tailored to the day care setting makes cost analysis a relatively simple task.

STANDARD BOOKKEEPING PRACTICES

The bookkeeping procedures detailed in the *Manual* represent standard and widely accepted accounting practices. Instructions and forms, all specified for day care centers, are provided for analyzing costs in three modes: (1) by line-item expenses, (2) by functional categories, and (3) by standard financial statements. These modes are compatible with well-established accounting principles and thus are responsive to both internal and external management demands. They achieve the following levels of performance:

1. **Integrity of information**: no significant fiscal information is lost in analysis; all information is easily retrievable from standard records.
2. **Common terminology**: fiscal information is cast in the form or language of a broad range of typical inquiring agents, whether stockholders, funding bodies, or professional accountants.[1]

1. Particularly pertinent examples are as follows: imputed costs for volunteer services are considered in this system, as many day care contracts require matching volunteer services; service costs are computed so that they can be reported with or without certain expenses, such as equipment or facilities, as some funding agencies will not assume responsibility for these expenses.

3. **Fiscal accountability**: the financial situation of the center and the expected consequences of potential choices become clearer to the management staff, as this system is virtually immune from distortion by arbitrary, ill-chosen record-keeping practices.

4. **Compatability with other systems**: the procedures are compatible with sophisticated corporate control systems that simultaneously monitor numerous financial decisions ranging from whether to rent or buy equipment to the advisable payment date for individual creditors.

5. **Economic use of time**: clerical time is utilized economically. The investment of effort in setting up and maintaining this system returns tenfold in the saving of time spent retrieving the multitude of fiscal data demanded throughout the year.

6. **Applicability**: ease of applicability is aided by the precision and format of this guide. While professional bookkeepers will find much that is rudimentary, a careful clerk should be able to apply this set of systems without special training. Each form is explained and presented in the order it is to be used.

CONTRIBUTIONS OF THE MANUAL

The major contributions of the *Manual* are:

1. A simple bookkeeping system based on accrual accounting that provides the essential information for line-item analysis and functional analysis
2. Procedures for line-item analysis that are necessary for functional analysis
3. Procedures for functional analysis
4. A means of studying the utilization of time, which is also required for functional analysis[2]
5. An aid to classification of day care centers so that similar centers can be compared, or so that the costs of different types of programs can be compared with one another
6. A means of determining cost per child-hour and per child-year of service

The trend in the social welfare services field has been to advocate functional cost analysis. Most of the community fund agencies in the nation require or advise functional

2. Some forms of functional analysis may not technically require time studies. Field testing has indicated, however, that a reliable system for allocating staff time to various functions is necessary due to multiple-role assignments.

analysis. The *Manual* enables day care centers to accomplish this task. It is a thorough revision of the *Day Care Cost Analysis Manual,*[3] and is based on an extensive field test of that manual on twenty-nine day care centers of varying types. Rigorous field testing has demonstrated that for specific and accurate information to be available for this analysis, a good bookkeeping system is necessary—and a *uniform* one is preferable.

If a center's books are handled by a professional bookkeeper or an accountant, that person should ensure that the system being used is completely compatible with the system presented in this *Manual.* If the books have been handled on a cash basis, or by someone other than a trained bookkeeper, it is strongly recommended that this system be adopted.

The reward for these efforts will be that at any given time it will be possible to determine if the center is running according to budget and what its financial position is. A generally accepted accounting standard of reporting the center's assets, liabilities, and equity will be available so that management and funding bodies can intelligently review what is going on in the center.

FEATURES OF THE SYSTEM

Accrual Accounting

To achieve consistency and comparability between financial statements made in successive years and between the financial statements prepared by different organizations, it is *essential* that day care centers adopt accrual accounting as the standard basis for preparing their reports.

Accrual accounting is the most realistic method of accounting. Currently, however, most day care centers record revenues only when they are received in cash and record expenses only when they are paid in cash. Since most centers must meet their obligations on a cash basis, owners and managers may assume that such accounting is adequate for financial reporting, budgeting, and accounting.

In actuality, accounting on a cash basis produces serious distortions from year to year, even distorting regular items of revenue and expense. For example, consider the situation of a cash-basis organization with a biweekly pay period in a year that starts on a Wednesday or a Thursday and ends on a Friday. Under these conditions, an organization would have to report fifty-four weeks' worth of salary expense. The unpredictable expense variations caused by either delayed billings for purchases near the end of a year or when a day care center manager manipulates his center's expenses for a year simply by withholding and not paying some of the year-end bills are even more important causes of distortions. Cash-basis accounting thus permits manipulations of one kind or another that could significantly distort cost analysis.

3. Keither McClellan, Delia Zemont, and Carol Kelpsas, *Day Care Cost Analysis: A Manual of Instructions (Chicago: Welfare Council of Metropolitan Chicago, 1971), Publication No. 4017.*

In accrual accounting, an agency records and reports revenues when "earned" or when there is an "unqualified right" to receive them, and it records and reports expenses when it incurs a clear obligation to pay them. Fees for services rendered to a public agency, for instance, should normally be recorded as income when the services are rendered. Similarly, a day care center should normally record purchases of services or supplies as soon as they have been received.

The evident advantages of accrual-basis accounting over cash-basis accounting is that accrual accounting provides for the recognition of financial transactions in an organization's accounts in the period when they occur—not necessarily the same month or year. The timing of this recognition depends only on the activities of the organization and is not subject to arbitrary shifting between periods. The interval of time between earning income or incurring expense and the actual cash flow, which may be enough to create a distortion in a cash-basis financial statement, is eliminated. The whole concept behind meaningful accounting is that income and expense are matched, and this can best be accomplished through accrual accounting.

Instructions and illustrations are given in the *Manual* for setting up and maintaining all the standard books of accrual accounting.

Cost Analysis

Costs are analyzed in three ways: (1) by line-item expenses, (2) by functional categories, and (3) by standard financial statements.

The schedule of operating expenses by line-items is provided for centers interested in expense by major areas of expenditures. This schedule is also an intermediate step to functionally analyzing costs.

The schedule of expenses by functional categories recognizes five program service functions (Teaching and Child Care; Parent Education and Counseling; Food Service; Health Service; Staff Development) and three supporting service functions (Administration; Occupancy; and Transportation). This method represents an analysis of costs by major service functions.

The financial statement is provided for the business-minded person who is accustomed to assessing an organization's financial status by looking at standard financial statements.

Standard Measure of Child Care Service

The problem of measuring service is confined in the *Manual* to a measurement of gross output as contrasted to program impact. No attempt is made to evaluate the quality of day care programs.

The largest common denominator of service was sought for the sake of simplicity. On first glance, the largest denominator may appear to be cost per year of operation. However, some centers are open for only nine months of the year; not all centers operate the same number of days per week; and day care centers vary in the number of hours

they operate each day. The largest common denominator therefore was found to be "child-hours of service."

To determine the number of child-hours of service performed, it is necessary to maintain an accurate and complete record of attendance. A "Daily Attendance Form" is furnished on which hours of service should be recorded daily. The cost per child-hour is calculated by dividing the total program expense by the total child-hours of service. The *Manual* also outlines a procedure for comparing actual costs per child-hour to costs per child-hour if the center were operating at full capacity—that is, to licensed capacity.

Modified Random-Sample Time Studies

A time study is the most accurate device for prorating time and hence personnel expenses to the various service functions. Since the assignment of personnel expenses to functions depends on the time study, personnel expenses are the only costs that are not *directly* functionally assigned at the time they are incurred. The manual recommends that *all* staff complete the time sheets for days that have been selected on a *random-sample* basis by the director. These time sheets are designed and guidelines are given so that staff members can allocate their time to the eight service functions. Staff are to be instructed to complete these random-sample time sheets to the nearest quarter-hour. Guidelines to assist administrators and directors in selecting the random-sample time study days are given later in this chapter.

Prorating Occupancy and Administration Costs

In addition to looking at costs for each of the eight service functions, management can also examine the costs of the five program service functions either *exclusive* of the costs of Occupancy and Administration (which are supportive service functions) or *after* the costs of Occupancy and Administration have been prorated to the five program service functions. Thus, Occupancy and Administration costs are treated as overhead costs.[4]

One of the principal advantages of identifying Occupancy as an operating function is the ability to isolate the cost of performing program functions exclusive of Occupancy costs, especially in making comparisons between different centers. This is particularly important in the case of rental costs, which vary widely between inner city and suburb and between cities. Occupancy is distributed against Administration and the five program service functions. Adjusted Administration costs are then distributed to the six remaining service functions.

Prorating Occupancy Costs

Occupancy costs are distributed on the basis of the man-hours spent performing each of the functional services, excluding Transportation. This method of prorating is easy and

4. Transportation is a supportive service function, but since it is not considered an overhead cost it is not prorated to the program service functions.

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inexpensive to compute. Also, in child care centers there is a close parallel between the number of man-hours spent by persons engaged in various functions and the way in which space is used.

Prorating Administration Costs

Adjusted administration costs are prorated on the basis of the percentage of the total expenses spent on providing each functional program service. While this method of distributing Administration costs is affected by varying salaries paid to personnel performing different program functions, the effect of this distortion is somewhat neutralized by accounting for contract services and nonpersonnel costs in the expenditures for each functional category. This method of distributing Administration costs avoids the need to keep records on man-hours of time purchased through contract services.

Classification of Child Care Programs

Day care centers, day care homes, and other types of day care arrangements differ widely in size, scope, clientele, child care objectives, and even in fiscal objectives. Operational day care centers currently range in size from centers serving six to eight children to centers serving over 200 children. The scope of services ranges from highly sophisticated preschool education to mere custodial care. Some day care centers serve children who are emotionally disturbed or physically handicapped, while other centers serve only normal children. Some centers emphasize the mastery of skills, while others emphasize social learning and interaction. Finally, some centers seek to minimize potential fiscal losses in their management strategy, while others seek to maximize potential fiscal gains.

Cost analysis implies comparisons, and comparisons require a clear understanding of what is being compared. Because of the differences between day care arrangements, classification of centers together with the identification of costs of extra services and their separation from the costs of core services are seen as useful ways of clarifying the basis for comparison.

To make fair cost comparisons between centers, child care programs should be classified in regard to auspices and funding, facilities, clientele, staff, and services. A classification questionnaire designed to obtain a brief, overall picture of a center's program is provided. Its aim is to pinpoint specific information on the five areas mentioned, so that the dollar figures resulting from the cost analysis can be related to such factors as the number of children served, total hours of service, length of program year, physical characteristics of the center's facilities, and the number of staff and their backgrounds to provide a more meaningful cost analysis. In addition, having this information readily available on a standard form facilitates the grouping or classification of similar centers so that fair comparisons between them can be made.

HOW TO USE THIS MANUAL

A comprehensive picture of the procedures set forth in the *Manual* is diagramed in Illustration 1, "Flowchart of the Manual's Procedures." The illustration also points up the close relationship between the bookkeeping system and the cost analysis system.

A cost analysis may be made as often as needed by the administration, but it should be made no less than once per year at the end of each fiscal year. Quarterly or monthly cost analyses are more effective, since the information supplied is more current. This helps administrators isolate management and fiscal problems before they become serious and provides insight into the nature of changes that may be occurring within the center's program.

Before beginning any work on cost analysis, the director should discuss the concept of cost analysis with his staff, particularly emphasizing the importance of the use of time studies and the need for good record-keeping in the areas of staff time, attendance, and donated goods and services. It is important for staff to know what will be expected from them regarding record-keeping. Day care is a labor-intensive industry in which personnel costs account for 75 percent to 95 percent of total operating costs. It therefore becomes extremely important for the staff to accurately allocate their time to the correct functions.

GUIDELINES FOR SELECTING TIME STUDY DAYS[5]

When the time studies are commenced, the staff should be informed that approximately 40 days of the year, or 11½ percent of the days a center is open during a program year, have been selected as random time study days. The staff is also specifically advised that sometimes more than one time study day will occur in the same week and that there will also be periods of two or more weeks when no time study day occurs. Also point out that the sample is large enough to account for the fact that most persons work only a five-day week, and that personnel will sometimes be on vacation or sick leave on time study days. No time study substitutions are generally made in these cases.

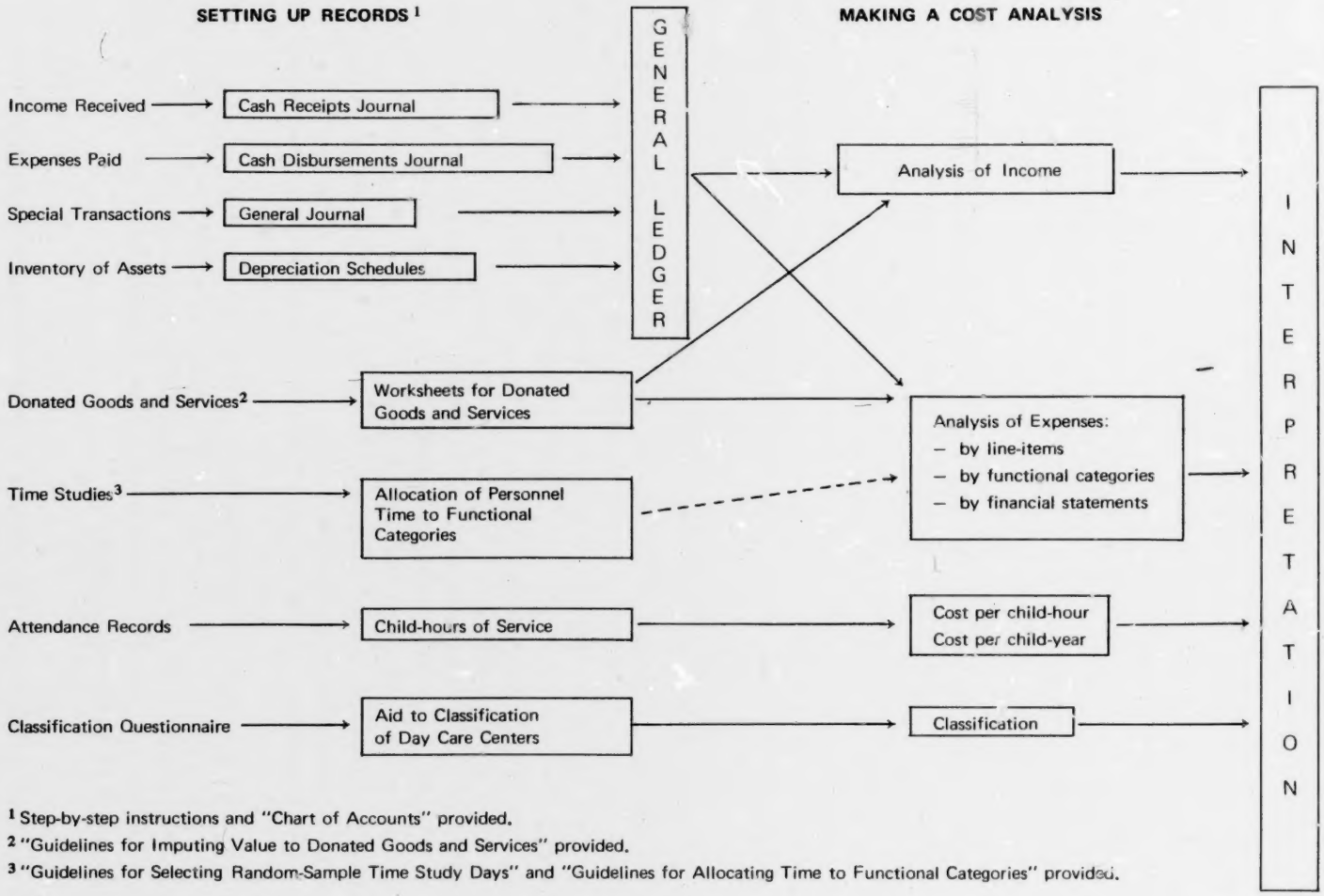
Four series of numbered calendar days are reproduced in Illustration 2. The agency may select Series I, II, III, or IV to apply to any time study starting at any point in the year. To select the random time study days, select the days of the year that fall on the dates indicated in any one of the series. Most desk calendars indicate which days these are.

Series I through IV are designed for a calendar year time study. If, for example, an agency had decided to apply Series I to the calendar year 1973, the first random time study day would be the 6th day of that year (Saturday, January 6). The next would be 16 (Tuesday, January 16) . . . the next would be 31 (Wednesday, January 31) . . . and the next would be 36 (Monday, February 5).

5. This material is based on Robert Elkin and Delroy L. Cornick, *Analyzing Costs in a Residential Group Care Facility for Children* (Washington, D.C.: Child Welfare League of America, Inc., 1969).

ILLUSTRATION 1

FLOW CHART OF THE MANUAL'S PROCEDURES



[1] Step-by-step instructions and "Chart of Accounts" provided.

[2] "Guidelines for Imputing Value to Donated Goods and Services" provided.

[3] "Guidelines for Selecting Random-Sample Time Study Days" and "Guidelines for Allocating Time to Functional Categories" provided.

ILLUSTRATION 2

FOUR SERIES OF RANDOM CALENDAR DAYS

SERIES I

6	50	93	137	179	231	259	297	350
16	61	101	149	189	232	264	309	362
31	70	111	153	197	235	279	320	
36	82	113	159	216	241	282	324	
39	91	130	171	220	254	293	333	

SERIES II

8	61	93	138	181	226	262	311	352
23	66	98	142	193	238	279	329	363
42	74	99	144	203	242	289	330	
50	84	115	157	211	257	291	334	
55	88	125	166	220	260	307	348	

SERIES III

2	42	94	130	170	221	266	315	356
10	53	112	147	185	230	272	318	360
12	62	114	148	193	234	282	324	
22	75	116	153	197	246	289	333	
33	85	125	159	215	259	299	344	

SERIES IV

6	38	99	150	189	234	273	303	353
11	43	119	155	200	239	278	315	365
21	58	132	164	210	254	290	323	
23	65	144	170	216	263	298	334	
26	82	145	180	221	265	300	342	

If the agency elects to use a different time study period, however, it may begin at any one of the quarters of the year. Select as sample days the indicated sample days that appear as close as possible after the 91st, 182nd, or 273rd days of the year. For example, to apply Series II to a time study starting in the second quarter of 1973, the first sample day would be Tuesday, April 3, which is the 93rd day of the year and the first indicated sample day coming after the 91st day (the beginning of the second quarter).

Carry over into the next year, if necessary, going back to the beginning of the series. For example, in Series II, go back to the 8th day of the year.

If the time study is to begin at any other point in the year, it must begin on the same day of the week as January 1 occurred in that year. This assures a sampling of all the days of the week. Select the first sample day after that day on which January 1 occurred. For example, in 1973, January 1 falls on Monday; any 1973 time study that did not start at the beginning of the calendar year or at the beginning of one of the yearly quarters, has to begin on Monday. Thus, if the agency wanted to begin approximately February 1, 1973, the beginning of the time study would fall on Sunday, February 5—the 36th day of the year. Applying Series III to this time study, the first sample day will be Sunday, February 11—the 42nd day of the year.

CHECKLIST FOR ADMINISTRATORS

(✓)

_____ Appoint a bookkeeper: delegate bookkeeping duties to a particular person. One person should be responsible for records and preparing financial reports.

_____ If your present bookkeeping system is not compatible with the system presented in Chapters 3 through 6, urge the bookkeeper to adopt the system presented in the *Manual.* It is a *standard*, efficient system tailored for the day care setting. Furthermore, it has been designed to correlate directly with the cost analysis system also presented in this *Manual.*

_____ Inform the bookkeeper that you have arranged to have the center's costs analyzed.

_____ Choose the person to conduct the analysis (may be the bookkeeper).

_____ If the cost analyst is *not* a center staff member, introduce him or her to the bookkeeper.

_____ Inform the cost analyst of *the dates of the period* you wish to have included in the analysis.

_____ Instruct the cost analyst to read Part II of this *Manual* carefully.

_____ Instruct teachers to complete child attendance forms on a daily basis.

_____ Choose the time study days.

_____ Explain the time study and its purposes to the entire staff.

_____ Appoint one person to be in charge of passing out and collecting time study materials (perhaps the bookkeeper if he or she has the time available).

_____ Be sure to complete and turn in your own time sheet.

_____ If you are administrator for more than one center and are analyzing a group of centers, follow the same procedures outlined above for each center. In addition, complete a Classification Questionnaire for each center.

FORM A

CLASSIFICATION QUESTIONNAIRE

(covering the period from _____ to _____)

_____ Name of Day Care Center

_____ Director of Day Care Center

_____ Address of Center

_____ Signature (Person completing Questionnaire)

AUSPICES AND FUNDING

1. Your center is under the auspices of:

- ☐ government agency
- ☐ religious institution
- ☐ settlement house
- ☐ public school
- ☐ hospital
- ☐ university
- ☐ business or industry
- ☐ housing project
- ☐ union
- ☐ other (specify) _____

2. What kind of financial support does your day care center receive? (Please check as many sources as are applicable for your center.)

	Estimated Percent of Budget
☐ Social Security Act, Title IV-A	_____%
☐ Social Security Act, Title IV-B	_____%
☐ OEO-Head Start; other	_____%
☐ Federal Manpower Training Programs: WIN (Work Incentive Program)	_____%
☐ or CEP (Concentrated Employment Program)	_____%
☐ Model Cities Program	_____%
☐ Community Chest or United Fund	_____%
☐ Foundations	_____%
☐ Organization contributions	_____%
☐ Individual contributions	_____%
☐ Center's own fund-raising drives	_____%
☐ Fees	_____%
☐ State Purchase-of-Care	_____%
☐ Payment of grants by public agencies and courts *other than* State Purchase-of-Care	_____%
☐ Other (specify)	_____%

FORM A
(cont'd.)

FACILITIES

1. Check the description that appropriately describes your day care center's location.

   ☐ City more than 500,000 people

   ☐ City of 50,000 – 500,000

   ☐ City, town, or village with a population of 2,000 – 50,000

   ☐ Rural area

2. How many square feet of indoor space does the day care center encompass? _____ square feet.

3. If your center has a playground or parking lot used as a playground, how many square feet of space does it encompass? _____ square feet.

Day care center space and facilities are: (check appropriate box)

☐ rented by the center

☐ owned by the center

☐ donated to the center

☐ other (explain)

5. Your center is located in a building owned by or rented by:

   ☐ governmental agency

   ☐ religious institution

   ☐ settlement house

   ☐ public school

   ☐ hospital

   ☐ university

   ☐ business or industry

   ☐ housing project

   ☐ union

   ☐ other (specify)

FORM A
(cont'd.)

CLIENTELE

1. How many children of the following ages are ***enrolled*** at your center?

   Under 2-1/2 years of age _____
   3 years of age _____
   4 years of age _____
   5 years of age _____
   6-14 years of age _____
   over 14 years of age _____

2. How many children of the following racial-ethnic groups are enrolled at your center?

   Afro-American (Black) _____
   Latin American (Mexican, Puerto Rican, etc.) _____
   Oriental _____
   Caucasian (White) _____

3. Indicate the number of enrolled children who have:

   No particular emotional distrubance or behavior problems _____
   Mild emotional disturbance or behavior problems _____
   Moderate emotional disturbance or behavior problems _____
   Severe emotional disturbance or behavior problems _____

4. Indicate how many enrolled children have:

   No particular handicap _____
   Mild physical handicap _____
   Moderate physical handicap _____
   Severe physical handicap _____

5. Indicate how many enrolled children have:

   No mental retardation _____
   Mild Mental retardation _____
   Moderate mental retardation _____
   Severe mental retardation _____

6. What is the annual income of the families whose children are enrolled at your center? (Estimate percent after each)

   Under $5,000 _____%
   $5,000–$10,000 _____%
   Over $10,000 _____%

FORM A
(cont'd.)

STAFF

1. How many persons work in each of the following positions at your center?

POSITION	Center's Own Staff	Parent Organization/ Central Agency Staff	Outside Contract	Volunteer	Other (Specify)
Executive Director					
Director					
Assistant Director					
Administrative Aide					
Business Manager					
Accountant					
Secretary					
Receptionists					
Clerk					
Teacher					
Assistant Teacher or Teacher's Aide					
Recreation Worker					
Foster Grandparent					
Maintenance Man and Attendant					
Cook/Dietician					
Cook's Helper					
Social Worker/Case Worker					
Registered Nurse					
Practical Nurse					
Psychiatrist					
Psychologist					
Director of Program (Education)					
Medical Doctor (including pediatricians)					
Dentist					
Bus Driver					
Other (specify)					

2. What is the minimum level of formal education that your administrator and your teachers are required to have? (Check the appropriate boxes)

POSITION	Master's Degree	Some Graduate Work	College Degree	Some College	High School Graduate	Grade School Graduate
Administrator						
Teacher						
Assistant Teacher or Teacher's Aide						

FORM A
(cont'd.)

SERVICE

1. Licensed capacity is: _____ children.

2. How many weeks is your day care center open during the program year? _____ weeks

3. Our program year starts _____ ends _____
(month-date-year) *(month-date-year)*

4. How many days per week is your day care center open? _____ days.

5. How many hours during the normal daily operation of your day care center are the children served? Our center opens at _____ A.M./P.M. and closes _____ A.M./P.M.

NOTE: If the number of hours per day varies, complete the following:

DAY	HOURS OPEN
Sunday	_____
Monday	_____
Tuesday	_____
Wednesday	_____
Thursday	_____
Friday	_____
Saturday	_____

6. Indicate which of the following services are provided by your center. (Please circle letters in front of ***all answers*** that apply to your center.)

a. Evaluation of family and child to determine appropriate placement, program, or fee.
b. Regular casework counseling with parent or parents by a social worker.
c. Casework services for families by a social worker.
d. Systematic written evaluations of child's development and educational progress.
e. Systematic written evaluations of child's social and emotional progress in group.
f. Psychological testing whenever appropriate for diagnostic and evaluative purposes.
g. Individual therapy for the child by specially trained personnel.
h. Psychiatric consultation and evaluation for child and family.
i. Group parent education.
j. Group therapy for parents.
k. Foster family day care for selected children for special reasons.
l. Medical consultation when necessary during day time care.
m. Screening for visual problems.
n. Screening for hearing problems.
o. Referral to appropriate supporting services (psychiatric, educational, medical, etc.)
p. Systematic follow-up and evaluations of children formerly enrolled
q. Transportation
r. None of the above
s. Other (specify) _____

FORM A
(cont'd.)

SERVICE – *(cont'd.)*

7. How long has your center been in operation:

2 years or less	_____
3-4 years	_____
5-6 years	_____
7-8 years	_____
9-10 years	_____
More than 10 years	_____

8. Does your center provide meals? ☐ yes ☐ no

9. If meals are served at your center, indicate which meals are served and to how many persons on a daily basis:

		Number of Children	**Number of Staff**
☐	Breakfast	_____	_____
☐	Morning snack	_____	_____
☐	Lunch	_____	_____
☐	Afternoon snack	_____	_____
☐	Dinner	_____	_____

2

FOR BOOKKEEPERS

This chapter is directed to bookkeepers because of the demand for a simple, step-by-step system for keeping accurate records of day care center financial transactions. The *Manual's* recommended system has been set up to enable bookkeepers to produce without difficulty the kinds of information that are often requested of them.

PREPARING TO USE THE MANUAL

In Chapters 3 through 6, the reader will notice that the instructions and forms refer to numerous account numbers. These numbers are listed systematically along with an account title and definition in the Chart of Accounts, Appendix 1. The chart of accounts is a list of the income sources, expenses, assets, liabilities, and equity that apply to day care operations.

An **asset** is a tangible factor owned by a business or center that has economic value or significance. Assets include cash in bank, buildings, vehicles, equipment, and the like.

A **liability** represents an amount owed by the business or center to creditors and others.

Equity represents the net difference between assets and liabilities.

The account number or coding system is explained fully in Appendix 1. The first step in using the recommended bookkeeping system is to become familiar with this coding system and its use by reading through Appendix 1 after reading Chapters 3 through 6. It may also be beneficial to refer to the chart of accounts while reading these chapters.

All accounts that might possibly be applicable to the day care setting have been included. However, no center bookkeeper will use *all* accounts that have been included in the chart. For example, if a center's only source of income is "tuition," then only account #4110 Tuition in the following list of income sources, which is taken from the chart of accounts, would be needed.

Income from Fees and Direct Payments
4110 Tuition
4120 Registration
4130 Special Fees
4140 Transportation
4150 Other

The chart of accounts may be likened to a system of files. Businesses and centers usually keep personnel records in files, and each individual has a file that is used only for his records. Each person is often assigned an ID number (identification number). The same is true in taking care of records. *Each* expense and *each* source of income is treated as an *individual* item. Each expense and each source of income is assigned a place to be kept and is also assigned an ID number. The ID number is called the account number.

The following list contains income and expense items found to be common to day care centers. For practice in using the chart of accounts, look up the account numbers for these items and enter them on the lines provided.

Account #	Income
_____	Tuition
_____	Registration
_____	Grant-in-Aid (government)
	Expenses
_____	Salaries
_____	Payroll Taxes
_____	Workmen's Compensation Insurance
_____	Professional Fees—Administration (audit)
_____	Contracted Services—Catering Food
_____	Office Supplies
_____	Housekeeping Supplies
_____	Teaching and Child Care Supplies
_____	Health Supplies
_____	Rent of Space—Center
_____	Utilities
_____	Rentals—Classroom Furniture and Equipment
_____	Repairs—Office Furniture and Equipment
_____	Bank Charges
_____	Communications—Telephone and Telegraph
_____	Communications—Postage and Mailing

After these account numbers have been entered, turn to page 23, where a list of the same account names and their numbers is provided to verify or correct the entries.

To use the bookkeeping system presented in this *Manual*, four main books should be set up: (1) a general ledger, (2) a cash receipts journal, (3) a cash disbursements journal, and (4) a general journal.

The **general ledger** is a record of all financial transactions carried out by the center.

The **cash receipts journal** is a record of all cash received.

The **cash disbursements journal** is a record of all cash spent.

The **general journal** is a record of all noncash financial transactions.

These four books are defined and instructions for using them are given in Chapters 3 through 6.

SUPPLIES

To set up the **general ledger**, the following supplies are needed:

- Regular ledger paper with balance column on the right-hand side
- One accounting binder of matching size
- Divider tabs for:
  - Assets
  - Liabilities
  - Equity
  - Income
  - Expense

To set up the **cash receipts journal**, the **cash disbursements journal**, and the **general journal**, the following supplies are needed:

- Columnar journal sheets—double page forms that have a description column and at least 28 columns.

  Example: Wilson Jones Form 50-30

- One accounting binder of matching size
- Divider tabs for:
  - Cash Receipts
  - Cash Disbursements
  - General Journal

The following are also needed:

- A checkbook that contains a check stub large enough to record general ledger account numbers for distribution purposes
- Prenumbered receipts with duplicates and carbons
- Employee Earnings Record, one for each employee
- Materials obtained by application to the Internal Revenue Service

  W-4 Employ*ee* Withholding Exemption Certificates
  Federal Payroll Deduction Booklet
  State Payroll Deduction Booklet (if applicable)
  City Payroll Deduction Booklet (if applicable)
  Employ*er* Identification Number

- Calculator with tape

CHECKLIST FOR BOOKKEEPERS

(✓)

____ Read Chapters 2 through 6 of this *Manual.*

____ Refer to the Chart of Accounts in Appendix 1 and check-mark the accounts you will need to use.

____ Purchase, if necessary, the supplies listed.

____ Set up the center's records according to the instructions given in Chapters 3 through 6.

____ Read through Appendices 2, 3, and 4. Check-mark any transactions that apply to your center and incorporate them in the appropriate journals.

If a cost analysis is to be conducted by a person other than yourself:

____ Give the cost analyst the information he or she requests of you.

____ Make certain the information you give the analyst is applicable to *only* the period being studied.

____ Remember to complete and turn in your own time study sheets.

If *you* have been asked to handle the time study sheets and materials:

____ Make a list of all center personnel.

____ Distribute time sheets to all center personnel on the days which the director has selected.

____ Update the list of center personnel making sure to (1) note the date an employee leaves, (2) add the names of any new employees.

ANSWERS TO PRACTICE EXERCISE

Account #	Income
4110	Tuition
4120	Registration
4410	Grant-in-Aid (government)
	Expenses
5100	Salaries
5103	Payroll Taxes
5015	Workmen's Compensation Insurance
5200-1	Professional Fees—Administration (audit)
5201-5	Contracted Services—Catering Food
5300-1	Office Supplies
5300-2	Housekeeping Supplies
5300-3	Teaching and Child Care Supplies
5300-6	Health Supplies
5400-2	Rent of Space—Center
5402-2	Utilities
5601-3	Rentals—Teaching and Child Care Furniture and Equipment
5602-1	Repairs—Office Furniture and Equipment
5701-1	Bank Charges
5702-1	Communications—Telephone and Telegraph
5703-1	Communications—Postage and Mailing

3

GENERAL LEDGER

The general ledger is the book in which all financial transactions are recorded, and the data contained in it are the source materials for all financial statements. Month-end totals from the **cash receipts journal** (Chapter 4), the **cash disbursements journal** (Chapter 5), and the **general journal** (Chapter 6) are posted (entered on the ledger sheets) at the end of every month to accumulate all transactions in one book.

In each of the journals, the columns have been marked either as DEBIT columns or as CREDIT columns. DEBITS are amounts to be entered (written) on the left-hand side of the general ledger sheets. CREDITS are amounts to be entered on the right-hand side of the general ledger sheets. The amounts in these columns retain their identity when posting to the general ledger. In other words, all amounts entered as DEBITS in the three journals will be posted as DEBITS to the general ledger, and all amounts entered as CREDITS in the three journals will be posted as CREDITS to the general ledger. A detailed explanation of how to accomplish this procedure is explained in the chapters that follow.

The basic format of a ledger sheet is shown in this example:

ACCOUNT TITLE: Cash in Bank - Unrestricted					ACCOUNT NO. 1010	
Date	Source	Debit	Date	Source	Credit	Balance

The general ledger is divided into the following five sections: **assets, liabilities, equity, income,** and **expense.** In each section, one account *title* and its corresponding *account* number are assigned to a ledger sheet, in accordance with the chart of accounts. Transactions affecting a particular account will first be entered in one of the journals, and at the end of the month will be posted to that same account in the general ledger.

SETTING UP THE GENERAL LEDGER

The ideal time to set up the general ledger is at the beginning of the center's fiscal year. If the books are set up at any other time, the reports will reflect only the accumulated results of operations on a month-to-month basis from that time. For example, if the ledger is set up at the beginning of the seventh month of a center's fiscal year, the income and expense due to operations as shown in the books for the fiscal year will reflect only the last six months of that fiscal year.

It will first be necessary to establish the correct amounts for all individual assets and liabilities and the equity of the center. Using the chart of accounts as a checklist, note which of the following procedures are needed, make out a ledger sheet for each account, and follow the procedures given. If procedures numbered 20 through 29 apply to your center, read Appendix 6 for a detailed explanation of how to compute accumulated depreciation.

ASSETS

(1) **Cash in Bank-Unrestricted.** Check bank statement for the *reconciled* bank balance as of the end of the preceding month. Post this amount to the general ledger as a DEBIT to Cash in Bank-Unrestricted #1010.

(2) **Cash in Bank-Restricted.** Check bank statement for the *reconciled* bank balance of restricted cash as of the end of the previous month. Post this amount to the general ledger as a DEBIT to Cash in Bank-Restricted #1011.

(3) **Petty Cash Fund.** Use the total amount of the fund before any pay-outs have been deducted. Post this amount to the general ledger as a DEBIT to Petty Cash Fund #1012.

(4) **Accounts Receivable-Fees and Direct Payments.** Total all open (unpaid) invoices as of the end of the previous month. Post this amount to the general ledger as a DEBIT to Accounts Receivable-Fees and Direct Payments #1020. (G.J.E. #1)*

(5) **Accounts Receivable-Other Revenue.** Total all accounts receivable from memberships, sales and special events, interest, income from investments and royalties, etc. not received as of the end of the previous month and post to the general ledger as a DEBIT to Accounts Receivable-Other Revenue #1021. (G.J.E. #13)**

(6) **Accounts/Pledges Receivable-Governmental Sources.** Total all accounts/pledges receivable not received as of the end of the previous month and post to the general ledger as a DEBIT to Accounts/Pledges Receivable-Governmental Sources #1022. (G.J.E. #2)*

*Refer to reversing entries and general journal entries in Chapter 6.
**Refer to reversing entries in Chapter 6 and use general journal entries in Appendix 4.

(7) **Accounts/Pledges Receivable-Contributions.** Total all accounts/pledges receivable from individual businesses, nonbusiness organizations (restricted and unrestricted), and federated fund-raising campaigns not received at the end of the previous month and post to the general ledger as a DEBIT to Accounts/Pledges Receivable-Contributions #1023. (G.J.E. #14)**

(8) **Accounts/Pledges Receivable-Parent Organization/Central Agency.** Establish the amount due from the Parent Organization/Central Agency not received at the end of the previous month and post to the general ledger as a DEBIT to Accounts/Pledges Receivable-Parent Organization/Central Agency #1024. (G.J.E. #15)**

(9) **Notes Receivable.** Post the principal amount of the notes owed to the center as of the end of the previous month to the general ledger as a DEBIT to Notes Receivable #1025.

(10) **Allowance for Uncollectible Accounts/Pledges.** Make a list of doubtful accounts and amounts due (but not received) from all Accounts Receivable, procedures 3 through 8 above, as of the end of the previous month. Post the total to the general ledger as a CREDIT to Allowance for Uncollectible Accounts/Pledges #1029. (G.J.E. #16)**

(11) **Mortgage Receivable.** Post principal amount of the mortgage owed to the center as of the end of the previous month to the general ledger as a DEBIT to Mortgage Receivable #1040.

(12) **Supply Inventory.** List inventory on hand as of the end of the previous month and figure its value: either the cost (the amount actually paid for items in inventory) or the fair market value of the inventory, whichever is the *lesser* amount. Post this amount to the general ledger as a DEBIT to Supply Inventory #1050. (G.J.E. #17)**

(13) **Supply Inventory-Donated.** List donated supply inventory on hand as of the end of the previous month and determine its fair market value. Post this amount to the general ledger as a DEBIT to Supply Inventory-Donated #1051 and the same amount as a CREDIT to Donated Equity #3010. (G.J.E. #18)**

(14) **Marketable Securities-Unrestricted.** Determine the cost of Marketable Securities-Unrestricted on hand as of the end of the previous month and post to the general ledger as a DEBIT to Marketable Securities-Unrestricted #1060.

(15) **Marketable Securities-Restricted.** Determine the cost of Marketable Securities-Restricted on hand as of the end of the previous month and post to the general ledger as a DEBIT to Marketable Securities-Restricted #1061.

**Refer to reversing entries in Chapter 6 and use general journal entries in Appendix 4.

(16) **Unexpired Insurance.** Post the *unexpired* portion of all insurance premiums still in effect as of the end of the previous month (see Appendix 7) to the general ledger as a DEBIT to Unexpired Insurance #1070.

(17) **Prepaid Interest.** Compute the amount of *prepaid* interest remaining as of the end of the previous month and post to the general ledger as a DEBIT to Prepaid Interest #1080.

(18) **Prepaid Rent.** Compute the amount of *prepaid* rent still remaining as of the end of the previous month and post to the general ledger as a DEBIT to Prepaid Rent #1081.

(19) **Land.** Determine the cost of land(s) owned (paid for) by the center as of the end of the previous month and post to the general ledger as a DEBIT to Land #1090.

(20) **Buildings and Building Improvements.** List and determine the cost of buildings and building improvements owned by the center as of the end of the previous month and post to the general ledger as a DEBIT to Buildings and Building Improvements #1100.

(21) **Furniture and Equipment.** List and determine the cost of furniture and equipment owned (paid for) by the center as of the end of the previous month and post to the general ledger as a DEBIT to Furniture and Equipment #1110.

(22) **Leasehold Improvements.** List and determine the cost of leasehold improvements made or paid for by the center as of the end of the previous month and post to the general ledger as a DEBIT to Leasehold Improvements #1120.

(23) **Vehicles.** List and determine the cost of all vehicles owned (paid for) by the center as of the end of the previous month and post to the general ledger as a DEBIT to Vehicles #1130.

(24) **Donated Fixed Assets.** List and determine (by appraisal or evaluation sources) the current fair market value of all donated fixed assets received by the center up to the end of the previous month and post to the general ledger as a DEBIT to Donated Fixed Assets #1140, and the same amount as a CREDIT to Donated Equity #3010.

(25) **Accumulated Depreciation-Buildings and Building Improvements:**

(a) Estimate the years of useful life (at time of acquisition or occurrence) for each item listed in procedure 20 above.

(b) Compute depreciation up through the end of the previous month and post to the general ledger as a CREDIT to Accumulated Depreciation-Buildings and Building Improvements #1109.

(26) **Accumulated Depreciation-Furniture and Equipment:**

(a) Estimate the years of useful life (at the time of acquisition) for each item listed in procedure 21 above.

(b) Compute depreciation up through the end of the previous month and post to the general ledger as a CREDIT to Accumulated Depreciation–Furniture and Equipment #1119.

(27) **Accumulated Amortization-Leasehold Improvements:**

(a) Estimate the years of useful life for each improvement listed in procedure 22 above.

(b) Compute amortization up through the end of the previous month and post this amount to the general ledger as a CREDIT to Accumulated Amortization-Leasehold Improvements #1129.

(28) **Accumulated Depreciation-Vehicles:**

(a) Estimate the years of useful life (at the time of acquisition) for each item listed in procedure 23 above.

(b) Compute depreciation up through the end of the previous month and post to the general ledger as a CREDIT to Accumulated Depreciation-Vehicles #1139.

(29) **Accumulated Depreciation-Donated Fixed Assets.** Since the estimated value in procedure 24 is the current value, no accumulated depreciation will be set up. However, a ledger sheet should be made out for this account (#1149) for future use.

(30) **Deferred Expenses.** Determine the deferred portion (applicable to future periods) of all other items previously paid. Post this amount to the general ledger as a DEBIT to Deferred Expenses #1150.

LIABILITIES

(31) **Accounts Payable.** Establish all amounts due and owed by the center as of the end of the previous month, whether or not an invoice has been received. Post this amount to the general ledger as a CREDIT to Accounts Payable #2010. (G.J.E. #5)*

Note: Do not include any liabilities here that may be accounted for in procedures 32 through 46.

*Refer to reversing entries and general journal entries in Chapter 6.

(32) **Notes Payable.** Post the principal amount of the notes(s) owed by the center as of the end of the previous month to the general ledger as a CREDIT to Notes Payable #2011.

(33) **Mortgage Payable.** Post the principal amount of the mortgage owed by the center as of the end of the previous month to the general ledger as a CREDIT to Mortgage Payable #2012.

(34) **Accrued Interest Payable.** Establish the amount of interest owed by the center as of the end of the previous month and post to the general ledger as a CREDIT to Accrued Interest Payable #2020. (G.J.E. #6)**

$$\text{Formula: } \frac{\text{Loan principal}}{1} \times \frac{\text{No. of days for which interest is unpaid}}{360} \times \frac{\text{Interest rate}}{100}$$

(35) **Accrued Salaries.** Determine the amount of *gross* salaries owed by the center to salaried employees as of the end of the previous month and post to the general ledger as a CREDIT to Accrued Salaries #2021. (G.J.E. #3)*

(36) **Accrued Other Compensation.** Establish the amount of compensation owed to nonsalaried personnel by the center as of the end of the previous month and post to the general ledger as a CREDIT to Accrued Other Compensation #2022. (G.J.E. #7)**

(37) **Accrued Employee Benefits.** Establish the amount owed to carriers for all group plans as of the end of the previous month. Include amounts deducted from the employee and the amount owed by the center as the employer portion. Post to the general ledger as a CREDIT to Accrued Employee Benefits #2023. (G.J.E. #8)**

(38) **Accrued Federal Withholding Tax.** Establish the total amount of Federal Withholding Tax withheld from employees that at the end of the previous month had not been disbursed to the depository and post to the general ledger as a CREDIT to Accrued Federal Withholding Tax #2030.

(39) **Accrued State Withholding Tax.** Establish the total amount of State Withholding Tax withheld from employees that at the end of the previous month had not been disbursed to the depository and post to the general ledger as a CREDIT to Accrued State Withholding Tax #2031.

*Refer to reversing entries and general journal entries in Chapter 6.
**Refer to reversing entries in Chapter 6 and use general journal entries in Appendix 4.

(40) **Accrued City Withholding Tax.** Establish the total amount of City Withholding Tax withheld from employees that at the end of the previous month had not been disbursed to the depository and post to the general ledger as a CREDIT to Accrued City Withholding Tax #2032.

(41) **Accrued FICA.** Establish the total amount of FICA (Social Security Tax) withheld from employees that at the end of the previous month had not been disbursed to the depository. *Double this amount* and post to the general ledger as a CREDIT to Accrued FICA #2033. (G.J.E. #4)*

(42) **Accrued Federal Unemployment Tax.** Establish the total amount of FUTA (Federal Unemployment Tax Act) that at the end of the previous month had not been disbursed to the depository and post to the general ledger as a CREDIT to Accrued Federal Unemployment Tax #2034. (G.J.E. #4)*

(43) **Accrued State Unemployment Tax.** Establish the total amount of State Unemployment Taxes that at the end of the previous month had not been disbursed to the depository and post to the general ledger as a CREDIT to Accrued State Unemployment Tax #2035. (G.J.E. #4)*

(44) **Accrued Other Taxes.** Establish the total amount of other taxes (e.g., real estate) owed by the center as of the end of the previous month, taking into consideration any unpaid bills and an estimate of current, unbilled taxes. Post this amount to the general ledger as a CREDIT to Accrued Other Taxes #2040. (G.J.E. #9)**

(45) **Accrued Corporate Income Tax.** Establish the amount of corporate Federal Income Tax owed by the center as of the end of the previous year, deducting any estimated tax payments made during that previous year. Post the net amount to the general ledger as a CREDIT to Accrued Corporate Income Tax #2050. (G.J.E. #33)**

(46) **Liability for Funds Designated for Investment.** Establish the total amount of funds (cash) and securities given to the center that are restricted as to their use. Post this amount to the general ledger as a CREDIT to Liability for Funds Designated for Investment #2060.

(47) **Deferred Income-Fees and Direct Payments.** Establish the amount of payments made for fees and direct payments as of the end of the previous month that applies to the current or subsequent reporting periods. Post this amount to the general ledger as a CREDIT to Deferred Income-Fees and Direct Payments #2070.

*Refer to reversing entries and general journal entries in Chapter 6.
**Refer to reversing entries and use general journal entries in Appendix 4.

(48) **Deferred Income-Governmental Sources.** Establish the amount received from governmental sources as of the end of the previous month that applies to the current or subsequent reporting periods. Post this amount to the general ledger as a CREDIT to Deferred Income-Governmental Sources #2071.

(49) **Deferred Income-Contributions.** Establish the amount received from contributions as of the end of the previous month that applies to the current or subsequent reporting periods. Post this amount to the general ledger as a CREDIT to Deferred Income-Contributions #2072.

(50) **Donated Equity.** This amount has already been established through the procedures of items 13 and 24.

(51) **Fund Equity.** This amount is established by the following formula:

Total dollar amount of all asset accounts (procedures 1 through 30)
Less: Total dollar amount for all liability accounts (procedures 31 through 49)
Less: Amount in Donated Equity account (procedure 50)

If the total dollar amount of assets exceeds the combined total of Liabilities and Donated Equity, post this amount to the general ledger as a CREDIT to Fund Equity #3020. If the total combined dollar amount for Liabilities and Donated Equity exceeds the total dollar amount for assets thereby creating a "minus" net result, then post this amount to the general ledger as a DEBIT to Fund Equity #3020.

MAINTAINING THE GENERAL LEDGER

To complete the general ledger, make out ledger sheets for all income and expense accounts applicable to your operation.

After posting monthly transactions to the general ledger from the three journals—**Cash Receipts Journal** (Chapter 4), **Cash Disbursements Journal** (Chapter 5), and **General Journal** (Chapter 6)—enter the difference between the DEBITS and CREDITS in the "Balance" column of each account. It is extremely important to note whether such balance is a DEBIT balance or a CREDIT balance.

When this step has been completed, it is necessary to ensure that the general ledger is "in balance."

(1) Run an adding machine tape of all DEBIT balances in the general ledger and arrive at a total.
(2) Repeat the same procedure for all CREDIT balances.
(3) For the general ledger to be in balance, the total of all DEBITS *must* equal the total of all CREDITS. If they are not equal, an error has been made either in running the adding machine tapes in steps 1 or 2 above, in striking off balance in the individual ledger accounts, in posting to the general ledger, or in addition in the journals.

4

CASH RECEIPTS JOURNAL

The cash receipts journal is the book in which all cash actually received is first recorded on the day it is received. Later this information is transferred to the general ledger.

SETTING UP THE CASH RECEIPTS JOURNAL

Using columnar paper, enter account titles and numbers as shown in Illustration 3. Enter only the accounts applicable to your center, using the chart of accounts as a checklist.

- Entries should be made in the cash receipts journal on a *daily* basis.
- *All* cash and checks received *must* be entered in the cash receipts journal.
- *All* monies received should be deposited *daily* in the bank and duplicate deposit slips should be made and held for center records.

PROCEDURES FOR RECORDING RECEIPT OF CHECKS AND CASH

(1) Issue prenumbered receipts for all coin and currency received. Issuance of receipts for checks received is optional. The receipt book should provide duplicates. The original goes to the individual giving money to the center. The duplicate is for the center's record.

(2) Write account number on each check received and on each receipt issued for cash received.

(3) Sort all checks in sequence of account numbers.

In ink enter all checks and all receipts for coin and currency into cash receipts journal as described in the steps that follow.

ILLUSTRATION 3

CASH RECEIPTS JOURNAL

DATE	RECEIVED FROM	Receipt Number	Memo Deposit	DEBIT 1010 Cash-Unrestricted	DEBIT 1011 Cash-Restricted	CREDIT 4110 Tuition	CREDIT 4120 Registration	CREDIT 4130 Special Fees	CREDIT 4140 Transportation	CREDIT 4210 Memberships	CREDIT 4220 Sales and Special Events	CREDIT 4230 Interest	CREDIT 4240 Income Investments	Description	

CREDIT 4250 Gain on Sale of Assets	CREDIT Governmental Sources Acct.#	Governmental Sources Amount	CREDIT 4510 Individuals, Businesses and Nonbusiness Organizations Unrestricted	CREDIT 4511 Restricted	CREDIT 4520 Federated Fund-Raising	CREDIT 4610 Support from Parent Organization	CREDIT Deferred Income Acct. #	Deferred Income Amount	CREDIT 2060 Liability for Funds Designated for Investment	CREDIT 3020 Fund Equity	CREDIT GENERAL Acct. #	GENERAL Amount	DEBIT GENERAL Amount

(4) Enter date on which the money is received in column headed "Date."

(5) Enter name or source from whom received in column titled "Received from."

(6) Enter receipt number in column headed "Receipt Number."

(7) The amount of money received should be entered in the column titled "Debit, Cash-Unrestricted" and also in the appropriate CREDIT account column. If applicable, use "Debit, Cash-Restricted." Check-mark *each* receipt after it has been entered into the journal.

Steps 4 through 7 are to be followed for each check and for all cash received for the day.

(8) When all money received for the day has been entered, total the items reported in "Cash-Unrestricted" and "Cash-Restricted" and enter in the "Memo Deposit" column.

(9) Subtotal each column and insert *in pencil* the accumulated subtotal figures after the last entry in each column.

(10) Establish that all accumulated DEBIT subtotals equal all accumulated CREDIT subtotals.

(11) *Independently* total all checks and cash received for the day and prepare bank deposit slip and duplicate. The deposit must agree with the amount entered in the "Memo Deposit" column as calculated in step 8. File all receipts for the day.

(12) Repeat these procedures for each day of the month that money is received, accumulating subtotals.

(13) At the end of each month total all columns and check that the total of all DEBITS equals the total of all CREDITS.

Sample Receipt

Date: 7/22/72 No. 1101

AMOUNT RECEIVED: $50.00

From: Mrs. J. Baker

For: Tuition

For office use
Acct. # 4110

Signed: Frances Jones.
(Bookkeeper)

ABC Day Care

← Carbon

← Duplicate

POSTING TO THE GENERAL LEDGER FROM CASH RECEIPTS JOURNAL

Each month post the totals for the month from the cash receipts journal to the corresponding accounts in the general ledger as follows:

(1) Note whether total is a DEBIT or CREDIT (above the column title) in cash receipts journal.

(2) In the general ledger account, enter the date (the last day of the month) on the appropriate side of the account, that is, DEBITS to the left side and CREDITS to the right side.

(3) Enter "CR" (cash receipts abbreviated) in the column titled "Source."

(4) Post the month's total shown in the cash receipts journal to the appropriate general ledger accounts.

Thus, when posting a DEBIT total to the general ledger, date, source, and amount should be entered on the DEBIT side of the ledger sheet. When posting a CREDIT total, this information should be entered on the CREDIT side.

(5) After posting to general ledger accounts, check-mark the totals in the cash receipts journal. (This prevents the possibility of posting the same entry twice.)

Instructions for handling unusual transactions are given in Appendix 2.

Entries in a cash receipts journal and examples of posting to the general ledger are shown in Illustration 4.

ILLUSTRATION 4

EXCERPTS FROM A CASH RECEIPTS JOURNAL WITH END-OF-MONTH TOTALS POSTED TO GENERAL LEDGER ACCOUNTS

Date	Received from	Receipt Number	Memo Deposit	Debit 1010 Cash-Unrestricted	Credit 4110 Tuition	Credit 4120 Registration	Credit 4130 Special Fees	Credit 4140 Transportation	Credit GENERAL Account #	Credit GENERAL Amount
7/3/72	J. Brown	1000		$ 25.00	$ 25.00					
7/3/72	M. Smith			10.00	10.00					
7/3/72	F. Jones		$ 65.00	30.00			$ 30.00			
				65 00	35 00		30.00			
7/5/72	L. Crown			15.00	15.00					
7/5/72	P. Peters			20.00		$ 20.00				
7/5/72	Z. Zonk		135.00	100.00					4150	$100.00
TOTALS FOR JULY 1972			$4,680.00	$4,680.00	$2,680.00	$500.00	$800.00	$400.00		$300.00

GENERAL LEDGER ACCOUNTS

ACCOUNT TITLE: Cash in Bank—Unrestricted — ACCOUNT NO. 1010

Date	Source	Debit	Date	Source	Credit	Balance
7/31/72	C.R.	$4,680.00				

ACCOUNT TITLE: Tuition — ACCOUNT NO. 4110

Date	Source	Debit	Date	Source	Credit	Balance
			7/31/72	C.R.	$2,680.00	

ACCOUNT TITLE: Registration — ACCOUNT NO. 4120

Date	Source	Debit	Date	Source	Credit	Balance
			7/31/72	C.R.	$500.00	

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CASH DISBURSEMENTS JOURNAL

The cash disbursements journal is the book in which all cash expenditures are first recorded. Later this information is transferred to the general ledger.

SETTING UP THE CASH DISBURSEMENTS JOURNAL

Using columnar paper, enter account titles and numbers as shown in Illustration 5. Enter only the accounts applicable to your center, using the chart of accounts as a checklist.

- All invoices received by the center should be coded *when they are received,* using account number given in chart of accounts. (See sample invoice, note coding at left side of "Amount" column.)
- After invoices have been coded, file alphabetically in an "*Unpaid* Invoice File."
- Checks should be written on a regular basis. The size of the operation will determine how frequently checks should be issued, but for efficient use of bookkeeping time it is recommended that checks be made out once a week.

Sample Invoice

TO: ABC Day Care	ALL SUPPLY COMPANY 2 Pleasant Street U.S.A.	INVOICE NO. 1081 Date: 7/10/72	
Quantity	Description		Amount
100	Paper cups @ .85 per 100	5300-5	$ .85
6	Typewriter ribbons @ .75 ea.	5300-1	4.50
3	Jigsaw puzzles @ .59 ea.	5300-3	1.77
100	Paper plates @ .70 per 100	5300-5	.70
36 boxes	Crayons @ .45 per box	5300-3	16.20
	TOTAL		$24.02

ILLUSTRATION 5

CASH DISBURSEMENTS JOURNAL

			CREDIT 1010	CREDIT 1011	DEBIT 5100	DEBIT 5101	CREDIT 2030	CREDIT 2033	CREDIT 2031	CREDIT 2032	CREDIT 2023	CREDIT 4110	CREDIT 4120
DATE	PAYEE	CK. #	Cash-Unrestricted	Cash-Restricted	Salaries	Other Compensation	Accrued Federal W/H Tax	Accrued FICA	Accrued State W/H Tax	Accrued City W/H Tax	Accrued Employee Benefits	Tuition Income	Registration Income

	CREDIT	DEBIT		DEBIT		DEBIT		DEBIT		DEBIT		DEBIT		DEBIT	
	GENERAL	SPECIAL FEES		SUPPLIES		FACILITIES		CONFERENCES, WORKSHOPS, etc.		FURNITURE & EQUIP.		GENERAL		NONOPERATIONAL	
	Acct. #	Amount	Acct. #	Amount	Acct. #	Amount	Acct. #	Amount	Acct. #	Amount	Acct. #	Amount	Acct. #	Amount	Acct. #	Amount

PROCEDURE FOR ISSUING CHECKS

(1) The authorized person should sign each invoice indicating approval to write out checks.

(2) The check is completed, ensuring that check stub shows distribution by account number as shown in the illustration below. (Purchase discounts should be handled in the manner most expedient for the bookkeeper.) Details of the payments should be indicated on the check itself—either as shown in the illustration, or elsewhere on the check, depending on the check form.

(3) When checks have been written, write the date of payment and the check numbers on the invoices.

(4) When all checks have been written for the day, run adding machine tapes on:

- checks written
- corresponding check stubs
- invoices paid that day

All three tapes should show the same total. This procedure offers a triple check on cash disbursements.

(5) Mail checks and file invoices alphabetically in "Paid Invoice File."

(6) Enter checks in cash disbursements journal.

Illustration of Completed Check and Stub

1248 Date: July 21, 1972		1248 ABC Day Care July 21, 1972 Pay to the order of All Supply Co. $24.02 Twenty-four and 02/100 Dollars T.H.E. Bank Miss Bookkeeper Mr. Director
Paid to: All Supply Co. For: Invoice No. 1081 Acct. # 5300-1 $ 4.50 5300-3 17.97 5300-5 1.55 Amount of this check	$24.02	Invoice No. 1081

ENTERING CHECKS IN CASH DISBURSEMENTS JOURNAL

Using check stub information, enter checks into the cash disbursements journal in the following manner. *Use ink:*

(1) Enter date check was written in column headed "Date."

(2) Enter name of person to whom check was issued in column headed "Payee."

(3) Enter number of check issued in column headed "Check Number."

(4) Enter total amount for which check was issued in column headed "Credit, Cash-Unrestricted," and also in the appropriate DEBIT (and CREDIT, if applicable) columns. If appropriate, use "Credit, Cash-Restricted." Check-mark *each* stub after the information has been entered into the journal.

The four preceding steps are to be followed for *each check issued.*

(5) When all checks have been entered, total the amounts reported in Cash-Unrestricted and Cash-Restricted. This should equal the previously established amount of all checks issued that day.

(6) Subtotal each column, and *insert in pencil* the accumulated subtotal figures after the last entry in each column.

(7) Establish that all accumulated DEBIT subtotals equal all accumulated CREDIT subtotals.

(8) Repeat these procedures for each day of the month that checks are written, accumulating subtotals.

(9) At the end of each month, total all columns and check to see that the total of all DEBITS equals the total of all CREDITS.

POSTING TO THE GENERAL LEDGER FROM CASH DISBURSEMENTS JOURNAL

Each month, post the totals for the month from the cash disbursements journal to the corresponding accounts in the general ledger as follows:

(1) Note whether entry is a DEBIT or CREDIT (above column title) in the cash disbursements journal.

(2) In the general ledger account, enter the date (the last day of the month) on the appropriate side of the account, that is, DEBITS to the left side and CREDITS to the right side.

(3) Enter "CD" (Cash Disbursements abbreviated) in the column titled "Source."

(4) Post the month total shown in the cash disbursements journal to the appropriate side of the account.

Thus, when posting a DEBIT total to the ledger, date, source, and amount should be entered on the DEBIT side of the ledger sheet. When posting a CREDIT total, this information should be entered on the CREDIT side.

(5) After posting the entry to the general ledger account, check-mark the total in the cash disbursements journal. (This prevents the possibility of posting the same entry twice.)

Entries in a cash disbursements journal and examples of posting to the general ledger are shown in Illustration 6.

HOW TO HANDLE PAYMENT OF TAXES

Federal Taxes: Withholding and FICA

Employee's Federal Withholding Tax and employee's share of FICA are withheld from the employee's pay check and CREDITED to the general ledger liability accounts Accrued Federal Withholding Tax and Accrued FICA.

When making a deposit for federal taxes, the employee's withholding tax is DEBITED to the liability account Accrued Federal Withholding Taxes; the employee's share of FICA is DEBITED to the liability account Accrued FICA; the employer's share of FICA is DEBITED to the expense account Payroll Taxes.

Care should be taken in recording this transaction in the cash disbursements journal to ensure that only the employer's share of FICA is recorded as an *expense.*

Assuming that the Accrued Federal Withholding Taxes account shows $200, and the Accrued FICA account shows $50, the amount of the deposit will be $300.

When payment is made, the following accounts will be used:

	DEBIT	CREDIT
Accrued Federal Withholding Taxes #2030 is DEBITED	$200	
Accrued FICA #2033 is DEBITED (Employee's share)	50	
Payroll Taxes #5103 is DEBITED (Employer's share)	50	
Cash in Bank-Unrestricted #1010 is CREDITED		$300

ILLUSTRATION 6

EXCERPTS FROM A CASH DISBURSEMENTS JOURNAL WITH END-OF-MONTH TOTALS POSTED TO GENERAL LEDGER ACCOUNTS

			Credit	Debit	Credit	Credit	Debit		Debit	
			1010	5100	2030 Accrued	2033	Supplies		General	
Date	Payee	Check Number	Cash– Unrestricted	Salaries	Federal W/H Tax	Accrued FICA	Account Number	Amount	Account Number	Amount
7/31/72	Susan Harris	1254	$ 260.00	$ 300.00	$ 20.00	$ 15.00				
7/31/72	XL Goods Co.	1255	25.00				5300-1	$ 25.00		
7/31/72	Petty Cash*	1256	16.00				5300-1	3.00	5703-1	$ 2.60
							5300-2	1.90	5704-1	1.00
							5300-3	1.40		
							5300-5	2.10		
							5300-6	4.00		
TOTALS	For July 1972		$2,488.70	$1,700.00	$160.00	$85.00		$537.42		$519.28
						RECAP	5300-1	$ 82.50	1081	$500.00
							5300-2	1.90	5700-1	15.68
							5300-3	319.37	5703-1	2.60
							5300-5	129.65	5704-1	1.00
							5300-6	4.00		
								$537.42		$519.28

GENERAL LEDGER ACCOUNTS

ACCOUNT TITLE: Accrued Federal Withholding Tax — ACCOUNT NO. 2030

Date	Source	Debit	Date	Source	Credit	Balance
			7/31/72	C.D.	$60.00	

ACCOUNT TITLE: Salaries — ACCOUNT NO. 5100

Date	Source	Debit	Date	Source	Credit	Balance
7/31/72	C.D.	$1,700.00				

ACCOUNT TITLE: Cash in Bank – Unrestricted — ACCOUNT NO. 1010

Date	Source	Debit	Date	Source	Credit	Balance
7/31/72	C.R.	$4,680.00	7/31/72	C.D.	$2,488.70	

ACCOUNT TITLE: Office Supplies — ACCOUNT NO. 5300-1

Date	Source	Debit	Date	Source	Credit	Balance
7/31/72	C.D.	$82.50				

*See Appendix 5.

Recording Above Transaction in Cash Disbursements Journal

			CREDIT	DEBIT	
			1010 Cash-	General	
Date	Payee	Ck. #	Unrestricted	Acct. #	Amount
9-30-72	T.H.E. Bank*	1450	$300	2030	$200
				2033	50
				5103	50

*If a center mails the deposit *directly* to the federal office, the payee would then be that federal office.

Note when recording this transaction that the DEBITS to the liability accounts are recorded in the column titled "Debit, General." *Do not use* the columns in your cash disbursements journal titled "Credit, Accrued Federal Withholding" and "Credit, Accrued FICA" since they are CREDIT columns and you are recording DEBIT totals.

State Withholding Taxes

Assuming that State Withholding Tax is $75, the following accounts will be used when payment is made:

	DEBIT	CREDIT
Accrued State Withholding Tax #2031 is DEBITED	$75	
Cash in Bank-Unrestricted #1010 is CREDITED		$75

Recording Above Transaction in Cash Disbursements Journal

			CREDIT	DEBIT	
			1010 Cash-	General	
Date	Payee	Ck. #	Unrestricted	Acct. #	Amount
9-30-72	State Office	1451	$75	2031	$75

Note when recording this transaction that the DEBIT to the liability account is recorded in the column titled "Debit, General." *Do not use* the column in your cash disbursements journal titled "Credit, Accrued State Withholding" since it is a CREDIT column and you are recording a DEBIT total.

Payment of city withholding taxes would be handled in the same manner, using the appropriate account Accrued City Withholding Tax #2032.

Instructions for handling unusual expense transactions are given in Appendix 3.

6

GENERAL JOURNAL

Accrual accounting is a matching of all income and expense transactions that are applicable to a reporting period. Chapters 4 and 5 show how cash transactions are recorded in the appropriate journals. Noncash transactions and allocations of income, expense, and prepaid and deferred income and expense are recorded in the general journal at the end of each reporting period so as to include all accruals in the financial reports.

A noncash expense transaction is an amount due to be disbursed in a future period for an expense that is incurred during the reporting period and is therefore chargeable as an expense or as an asset in the current reporting period.

A noncash income transaction is an amount due to be collected in a future period that has been earned or pledged in the reporting period and is therefore includable as income in the current reporting period.

SETTING UP THE GENERAL JOURNAL

(1) Using columnar paper, set up entries 1 or 2 or both as appropriate and entries 3 and 4 as shown in Illustration 7. *Remember to block out lines and columns as illustrated for all entries used.*

(2) Set up entry number 5 using only the accounts that are applicable to your operations. Use the chart of accounts as your checklist.

Example: If you do not have Leasehold Improvements #1120, exclude this account from your journal entry number 5.

(3) Illustration 7 shows reversal and set-up columns in a general journal for one reporting period. Reversal and set-up columns should be set up for each reporting period in your fiscal year. For example, if reporting monthly, set up twelve reversal and set-up columns inserting the date of each reporting period.

(4) At the end of each reporting period read Appendix 4 for other entries that may be applicable to your operations and *include* them in your general journal.

(5) Complete each entry at the end of each reporting period by following the procedures given below.

DETAILED INSTRUCTIONS FOR GENERAL JOURNAL ENTRIES

In making entries to the general journal, it is recommended–

1. that "Procedures for Entering in General Journal" be completed for all applicable entries before posting to the general ledger;
2. that "Posting to General Ledger from General Journal" be completed using the general journal as the actual source for posting; and
3. that as each entry is posted to the general ledger a check mark be made in the general journal alongside the amount posted. This prevents the possibility of posting the same entry twice.

Note that all instructions refer to *set-up* columns only. Instructions for *reversal* columns are given at the end of this chapter.

Entry No. 1–Accounts Receivable-Fees and Direct Payments

Procedures for Entering in General Journal

(1) Establish the amounts due to date for Tuition, Registration, Special Fees, Transportation, and any other fee or direct payment by checking copies of invoices issued by the center for which either no payment or only partial payment has been received.

Do not include invoices for billing applicable to *subsequent* reporting periods.

Establish the total amount due to date.

(2) Enter the total as a DEBIT to Accounts Receivable-Fees and Direct Payments, general ledger account #1020.

(3) Enter as a CREDIT the applicable amount to the appropriate general ledger income accounts.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #1020, Accounts Receivable-Fees and Direct Payments, the date (the last day of the reporting period) and the source, G.J.E. #1.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of the applicable general ledger income account(s) the date and source.

(4) Post the CREDIT(S) to the same general ledger income account(s).

Entry No. 2—Accounts/Pledges Receivable-Governmental Sources

Procedures for Entering in General Journal

(1) Establish total amount of uncollected revenue due to date (according to contract or grant agreements) from governmental sources.

(2) Enter the total as a DEBIT to Accounts/Pledges Receivable-Governmental Sources, general ledger account #1022.

(3) Enter as a CREDIT the applicable amount to the appropriate general ledger income account(s).

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #1022, Accounts/Pledges Receivable-Governmental Sources, the date (the last day of the reporting period) and the source, G.J.E. #2.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of the applicable general ledger income account(s) the date and source.

(4) Post the CREDIT(S) to the same general ledger account(s).

Entry No. 3—Accrued Salaries

It is possible that all salaries or a portion of salaries earned in one reporting period are actually paid in a subsequent reporting period. When this occurs, that portion earned in the reporting period must be set up as Accrued Salaries.

Example: Employees are paid each Friday and work a five-day week. Assume that a financial statement is prepared for the period ending Wednesday, July 31, but employees will be paid for the full week on Friday, August 2. It would be necessary to accrue three-fifths of the August 2 *gross* payroll as a general journal entry so that *all* salaries earned *in July* are reported in the financial statement. If the exact amount of the payroll is not known at the time a statement is being prepared, an estimate based on the best available information should be made.

Procedures for Entering in General Journal

(1) Establish the amount of *gross* salaries earned in the reporting period that will be paid in a subsequent reporting period.

(2) Enter the amount as a DEBIT to Salaries, general ledger account #5100.

(3) Enter as a CREDIT to Accrued Salaries, general ledger account #2021, the same amount.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #5100 Salaries the date (the last day of the reporting period) and the source, G.J.E. #3.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of the general ledger account #2021 Accrued Salaries the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 4—Accrued Payroll Taxes

Procedures for Entering in General Journal

(1) Establish the employer's portion of FICA (Social Security) which is due to be paid (an amount equal to the total FICA deductions made from employees' gross salaries).

(2) Establish the amount of Federal Unemployment Taxes due to be paid by the employer under federal regulations.

(3) Establish the amount of State Unemployment taxes due to be paid by the employer under state regulations.

(4) Enter the total of all three amounts as a DEBIT to Payroll Taxes, general ledger account #5103.

(5) Enter as a CREDIT the appropriate amount(s) to the applicable liability account(s).

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #5103 Payroll Taxes the date (the last day of the reporting period) and the source, G.J.E. #4.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of the applicable general ledger liability account(s) the date and source.

(4) Post the CREDIT(S) to the same general ledger liability account(s).

Entry No. 5—Accounts Payable

Procedures for Entering in General Journal

(1) Take all unpaid invoices from the "Unpaid Invoice File" having dates that fall on or before the end of the specific reporting period. Also include the estimated amount of any liabilities incurred in that period for which no invoices have been received.

(2) When received, all invoices were coded with account numbers; invoices therefore can be recapped by specific account numbers on a separate sheet of paper.

(3) Enter individually the amount for *each* account as a DEBIT opposite the appropriate account number in the "set-up" column.

(4) Total all debits just entered. Enter *this* total as a CREDIT to Accounts Payable, general ledger account #2010.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of the appropriate general ledger expense accounts the date (the last day of the reporting period) and the source, G.J.E. #5.

(2) Post the DEBITS to the same general ledger expense accounts.

(3) Enter on the CREDIT side of general ledger account #2010 Accounts Payable the date and source.

(4) Post the CREDIT to the same general ledger account.

REVERSING ENTRIES

All five entries shown in this chapter require reversing entries in each reporting period.

A reversing entry is an amount that is entered in the general journal *exactly the opposite of the way in which it was originally entered*—that is, amounts previously entered as DEBITS are now entered as CREDITS, and amounts previously entered as CREDITS are now entered as DEBITS. The effect of a reversing entry is to completely wipe off the books a general journal entry made in a previous reporting period.

The *reversal* column in Illustration . . . to enter reversal entries. Some entries made in the general journal reflect estimated amounts that may change from reporting period to reporting period. The easiest and most expeditious method to record these changes is to "reverse" a previous entry and "set up" a new estimate when needed. This is done at the end of each reporting period.

Example: The amount of accrued salaries for the first and second reporting periods was $1,500 and $1,000 respectively. The following shows the set-up for the first period and the reversal and set-up for the second period.

Reporting Period		to 1/31/72		From 2/1/72 to 2/29/72			
Entry Number and Description	Account Code	Set-up		Reversal		Set-up	
		Debit	Credit	Debit	Credit	Debit	Credit
3. To set up unpaid salaries							
Personnel–Salaries	5100	$1,500			$1,500	$1,000	
Accrued Salaries	2021		$1,500	$1,500			$1,000

Special Reversing Entries

Instructions on how to set up the general ledger by posting opening balances to the asset, liability, and equity accounts were given in Chapter 3. Instructions for balances that should be reversed at the end of the first reporting period were followed by the notation (G.J.E. #____), which represents the general journal entry to be used in the reversal. For example, in the third account discussed in Chapter 3, the opening balance was posted as a DEBIT to Accounts Receivable-Fees and Direct Payments. To reverse this at the end of the first reporting period use general journal Entry No. 1 described in this chapter. Enter the opening balance as a CREDIT to Accounts Receivable-Fees and Direct Payments and enter the appropriate amounts as DEBITS to Tuition, Registration, Special Fees, Transportation, and any other fee or direct payment.

When reversing the opening balance for Accrued FICA and Accrued Employee Benefits be careful to reverse *only the employer's share*. For example, if the opening balance set up for Accrued FICA was $500, only reverse $250, which represents the employer's share.

ILLUSTRATION 7

GENERAL JOURNAL ENTRIES

REPORTING PERIOD		FROM_____ TO _____			
	ACCOUNT	REVERSAL		SET-UP	
ENTRY NUMBER AND DESCRIPTION	NUMBER	DEBIT	CREDIT	DEBIT	CREDIT
1. To set up Accounts Receivable from Fees and Direct Payments					
Accounts Receivable-Fees & Direct Payments	1020				
Tuition	4110				
Registration	4120				
Special Fees	4130				
Transportation	4140				
Other	4150				
2. To set up Accounts/Pledges Receivable from governmental sources					
Accounts/Pledges Receivable-Governmental Sources	1022				
Grant-in-Aid	4410				
Purchase-of-Service	4420				
3. To set up unpaid salaries					
Salaries	5100				
Accrued Salaries	2021				
4. To set up employer liability for unpaid payroll taxes					
Payroll Taxes	5103				
Accrued FICA	2033				
Accrued Federal Unemployment Tax	2034				
Accrued State Unemployment Tax	2035				

ILLUSTRATION 7
(cont'd')

GENERAL JOURNAL ENTRIES

REPORTING PERIOD		FROM _____ TO _____			
	ACCOUNT	REVERSAL		SET-UP	
ENTRY NUMBER AND DESCRIPTION	NUMBER	DEBIT	CREDIT	DEBIT	CREDIT
5. To set up unpaid liabilities					
Unexpired Insurance	1070				
Land	1090				
Buildings & Building Improvements	1100				
Furniture & Equipment	1110				
Leasehold Improvements	1120				
Vehicles	1130				
Personnel:					
Overtime Meals	5104				
Professional Fees:					
Administration	5200-1				
Teaching and Child Care	5200-3				
Parent Education and Counseling	5200-4				
Food Service	5200-5				
Health Service	5200-6				
Contracted Services:					
Maintenance	5201-2				
Catering Food	5201-5				
Transportation Portal-to-Portal	5201-8				
Field Trips:					
Contracted Transportation Only	5202-3				
Admission Fees	5203-3				
Supplies:					
Office	5300-1				
Housekeeping	5300-2				
Teaching and Child Care	5300-3				
Food Service	5300-5				
Health	5300-6				
Vehicles	5300-8				
Facilities:					
Rent of Space - Center	5400-2				
Rent of Space - Garage	5400-8				
Real Estate Taxes - Center	5401-2				
Real Estate Taxes - Garage	5401-8				
Utilities	5402-2				
Building Repairs - Center	5403-2				
Building Repairs - Garage	5403-8				
Care of Buildings and Grounds	5404-2				
Building Insurance - Center	5405-2				
Building Insurance - Garage	5405-8				

ILLUSTRATION 7
(cont'd.)

GENERAL JOURNAL ENTRIES

REPORTING PERIOD		FROM_____		TO_____	
	ACCOUNT	REVERSAL		SET-UP	
ENTRY NUMER AND DESCRIPTION	NUMBER	DEBIT	CREDIT	DEBIT	CREDIT
5. *(cont'd.)*					
Conferences, Workshops & Special Events:					
Parent Education	5500-4				
Staff Development	5500-7				
Other	5500-1				
Rentals:					
Office Furniture & Equipment	5601-1				
Building Equipment	5601-2				
Teaching and Child Care Furniture & Equipment	5601-3				
Kitchen Equipment	5601-5				
Vehicles	5601-8				
Repairs:					
Office Furniture & Equipment	5602-1				
Building Equipment	5602-2				
Teaching and Child Care Furniture & Equipment	5602-3				
Kitchen Equipment	5602-5				
Vehicles	5602-8				
Advertising	5700-1				
Bank Charges	5701-1				
Telephone & Telegraph	5702-1				
Postage & Mailing	5703-1				
Contributions	5704-1				
Building Permits	5706-2				
Health Licenses & Permits	5706-6				
Vehicle Licenses	5706-8				
Other Licenses & Permits (specify)	5706-				
Memberships	5707-1				
Miscellaneous	5708-1				
Moving Expense	5709-1				
Taxes - Personal Property	5710-1				
Accounts Payable	2010				

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7

STRATEGY OF DAY CARE COST ANALYSIS

Cost analysis has long been an accepted business concept, but only in the last ten years has it been applied to the programs of social welfare agencies. Now for the first time it is being introduced as a management tool in the day care field. The successful, practical application of cost analysis in other areas of social welfare gives support to its feasibility and usefulness in day care. A properly implemented cost analysis system, when adhered to, will eventually lead to cost effectiveness and cost benefit analysis in the day care field.

The two major problems to be confronted are the nature of day care and the nature of cost analysis. Day care is a broad term applied to a variety of programs that offer services ranging from baby-sitting to sophisticated education programs. It encompasses the care of normal children from birth through the teen years, as well as children who are severely handicapped, either physically or emotionally. Day care centers vary greatly in number of clients served, location, and means of support. Day care facilities include child care centers, day nurseries, nursery schools, kindergartens, play groups, and centers or workshops for mentally or physically handicapped with or without stated educational purposes, as well as family homes that are licensed to receive a limited number of children for care during the day. Probably the only feature common to all these facilities is that child care services are given in arrangements outside the child's home for periods of less than twenty-four hours.

By contrast to the variety of characteristics found in day care service, cost analysis has certain rigid requirements. Among them are accurate financial information reported systematically, time studies, identification of certain cost items, standard definitions, and unit cost measures. In a word, cost analysis requires uniformity and conformance to a set model.

A cost analysis model with sufficient flexibility to allow for the variety found in day care arrangements while at the same time adhering to the conformity required in cost analysis was field-tested on twenty-nine centers. The model was based on the following concepts:

1. Standard reporting
2. Standard definitions
3. Line-item analysis
4. Functional analysis
5. Time utilization
6. Classification system for day care centers

The testing demonstrated that this model will bring cost analysis to a manageable level so that anyone interested in studying costs of services—even though he lacks experience and special expertise in accounting and cost analysis—can with a minimal investment of time and expense analyze the costs of his own center.[6]

STANDARD REPORTING

A variety of worksheets and forms are used in this *Manual* to enable centers to report financial and statistical information in a standardized format. Financial information is a major part of the entire analysis, and it is established that accrual accounting must be used in reporting fiscal data (see Chapter 1). All instructions for reporting and analyzing financial material are related to accrual accounting; cash-basis accounting therefore will not suffice. A further aid to standard reporting is standard definitions.

STANDARD DEFINITIONS

Standard terminology is most useful when the definitions are specific rather than general. Indeed, the more detailed the definition of terms, the easier it is to work with because it reduces the judgment needed in individual cases. Consequently, the instructions for reporting income, for making line entries, and for allocating costs to their appropriate functional categories contain definitions that are specific and detailed.

The problem of measuring service is confined to a measurement of gross output as contrasted to impact. The largest *common* denominator of service is child-hours of service, that is, the hours of service given based on actual attendance.

One other consideration is important: how to handle the use of volunteer services and donated goods and equipment as an element of cost. Our research, which involved on-site visits to centers, showed that many day care centers rely heavily on volunteers or nonsalaried personnel. Some centers are committed to recruit volunteer service and in-kind donations because of the requirements of funding from some government sources. If cost analysis is to result in valid units of service costs then this major contribution to

6. The results of experience in using the *Day Care Cost Analysis Manual* are reported in Jean E. Bedger, Lawrence D. Ehrlich, Delia Zemont, and Carol Kelpsas Silhavy, *Day Care Utilization of Cost and Time Data: Findings* (Chicago: Council for Community Services in Metropolitan Chicago, 1972), Publication No. 4019.

the functioning of a day care program should be considered as part of the cost. On this premise, such in-kind contributions and volunteer services are assigned a dollar value and included as both income and expense.

ANALYSIS OF INCOME AND EXPENSE

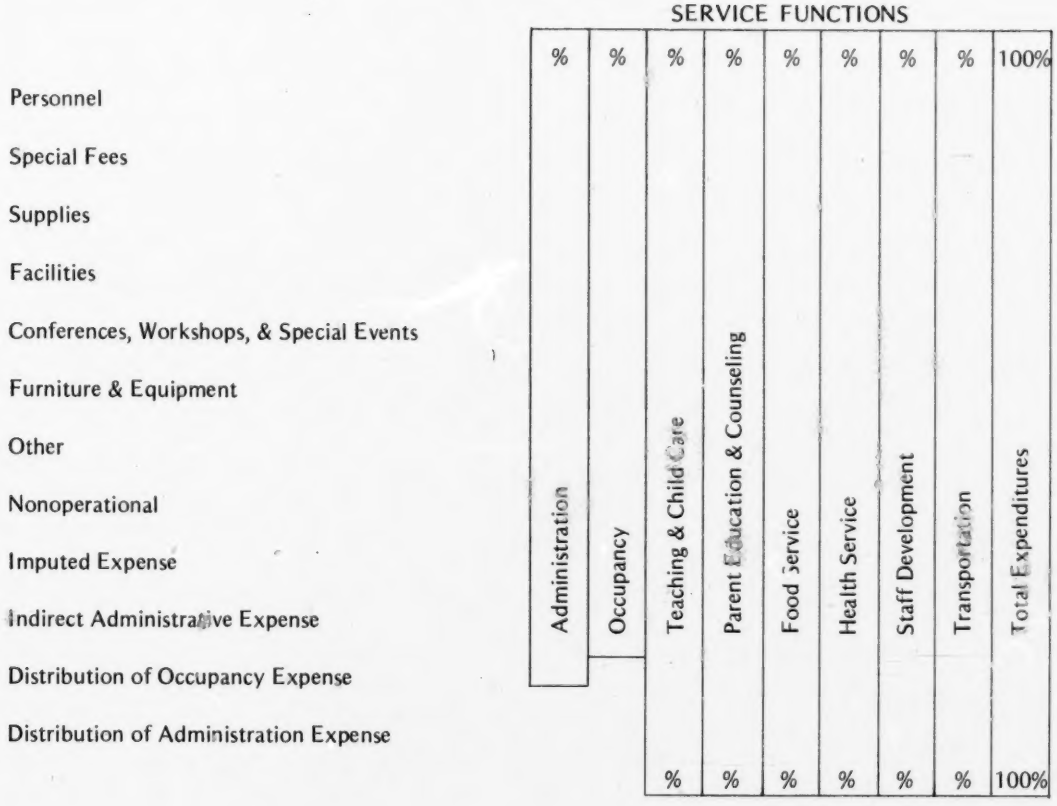
The part of the cost analysis model that is concerned with examining a center's actual income and expense has two underlying concepts:

1. Vertical or line-item analysis of the major sources of income and expense to establish the relationship (percent) each income source is to total income and each expense source is to total expense.
2. Horizontal or functional analysis of the major sources of expense by service function to establish the relationship (percent) the cost of each service function is to the total expense.

Line-Item Analysis

Major Sources of Income		Major Sources of Expense	
Fees and Direct Payments	%	Personnel	%
Other Revenue	%	Special Fees	%
Imputed Income	%	Supplies	%
Revenue from Governmental Sources	%	Facilities	%
Contributions	%	Conferences, Workshops, and Special Events	%
Support from Parent Organization/ Central Agency	%	Furniture and Equipment	%
		Other	%
		Nonoperational Expense	%
		Imputed Expense	%
		Indirect Administrative Expense	%
Total Income	100%	Total Expenses	100%

Functional Analysis



LINE-ITEM ANALYSIS

When the major income and expense categories were chosen, their practical application in day care arrangements was of major importance. It was recognized that the categories of personnel and facilities combined account for the major portion of expense. Income will come mainly from fees, governmental sources, and donated goods and services; this latter is reported as separate line-items—imputed income and imputed expense.

Combining the dollar value assigned to volunteer service and in-kind donations with the actual "cash" outlay and reporting both under the appropriate expense, would produce such results as the cost (value) of volunteer teachers being included as Personnel expense. However, valuable information is lost by this process, primarily the effect such in-kind expense has on the total financial picture. Since it is important to know to what extent a center is being subsidized by such contributions, or what would be likely to happen to a service within the entire program if such help were not available, the imputed cost is reported separately.

FUNCTIONAL ANALYSIS

Functional analysis when applied to the social services field is a method of examining expenditures as related to the various services or functions within a program. It recognizes a major separation of services—direct services to the client classified as **program services** and **supporting services**. Also under this method of analysis, each line-item expense is allocated accurately to each service function either directly or on a basis of proration. The entire program should be broken down into all its elements and reassembled in a systematic way under major groupings. The manner in which this is done will depend on the objectives to be attained.

After studying the various programs and services offered in day care, the following functional service categories were found to be most appropriate: Administration, Occupancy, Teaching and Child Care, Parent Education and Counseling, Food Service, Health Service, Staff Development, and Transportation. Administration, Occupancy, and Transportation are classified as **supporting services**, the remaining functional services are classified as **program services.**

In this functional analysis model, Administration and Occupancy are seen as overhead costs. As such, their cost must ultimately be prorated as a part of the cost of providing program services. Thus, both the direct cost of each program service and the total cost, including the indirect cost, are obtained. Transportation service, while considered a supporting service, is not considered an overhead or indirect cost. Rather, in day care programs, it is looked on as an exogenous cost. In some centers, especially those serving a special clientele, transportation service is a necessity. Yet even in those circumstances it should not be considered as a program service.

UTILIZATION OF TIME

One of the major obstacles to functional reporting is an accurate prorating of the salaries, payroll taxes, and fringe benefits paid to employees who perform more than one job function. Traditionally, time studies have been made of the activities of these employees as a basis for prorating their salaries and other personnel costs to the appropriate functional categories.

A time study that uses a stop watch to time tasks exactly is the most accurate device for prorating the time and subsequently the salaries of multifunctional personnel. But since a stop-watch time study is relatively costly and inconvenient to undertake, a random-sample time study is recommended instead. This requires that each staff member report how much time he or she worked in each of the functional services on the day chosen for the random sample. This method is not an estimate; it is an accurate accounting based on the work performed. The use of a random sample is a statistically reliable measure and as such can be used in the eventual allocation of personnel expense.

CLASSIFICATION SYSTEM FOR DAY CARE CENTERS

The classification of day care centers begins with the hypothesis that the hypothesis that selected ownership and program characteristics can be used to predict the clientele, facilities, staffing patterns, services, and organizational arrangements of day care centers. In turn, these variables are seen as predictors of variations in costs of operating day care centers of the same size.

To gather the necessary information on day care center characteristics for testing the hypothesis, the project staff conducted a census of the 544 preschool day care centers located in metropolitan Chicago and licensed by the State of Illinois as of February 1, 1970.

A self-administered questionnaire, designed to take a maximum of thirty minutes to complete, was mailed to the 544 centers. Responses were received from 293 centers, or approximately 54 percent of the licensed centers in metropolitan Chicago. The questionnaire, which posed a total of forty-five questions, was structured in five parts:

1. Ownership and management
2. Facilities
3. Measures of physical environment
4. Clientele
5. Program (learning and teaching techniques)

The significant amount of information produced by the self-administered questionnaires was augmented by the insights gained from thirty-three selected, on-site reconnaissance visits consisting of open-ended interviews with administrative personnel.

Initially, dependent variables such as sources of income, full-time staff members with college education, the presence of central purchasing, the use of contract services, service to ethnic minorities, service to handicapped or mentally disturbed children, and service to the neighborhood of location were run against sixteen different ownership-auspices arrangements. After making successive tests in which categories were merged with other categories, it was found, on the basis of dependent variables used, that four categories adequately described the sixteen types of ownership-auspices arrangements originally tested.

The four categories of centers that emerged were labelled: (1) private proprietary, (2) church-related, (3) not-for-profit, and (4) cooperative. Private proprietary includes individual proprietorships, partnerships, and corporations. Church-related centers were considered to be not-for-profit organizations with church affiliations. Not-for-profit is a category used to identify all not-for-profit organizations *without* church affiliations, among which are centers with university affiliation, centers managed by governmental bodies, and centers managed by unions. The category titled "cooperative" includes day care centers that are owned or managed by parents who supply either capital or manpower or both to run the centers and whose children in turn receive services offered by the center through enrollment at the center.

The hypothesis that a classification system based on program and ownership arrangement can be used as a predictive device to isolate clusters of day care centers sharing similar expenditure and income patterns was further tested on twenty-nine centers. The result of this research was a method of self-classification of day care centers using the following major categories: Auspices and Funding; Facilities; Clientele; Staff; and Service (see Form A).

BENEFITS AND USES OF COST ANALYSIS

The specific purposes of cost analysis are to provide management tools for exercising organizational control, pricing goods and services, and determining sound investment patterns.

Two distinctly different kinds of comparisons are needed to achieve these purposes: comparisons between the operating costs of *different* child care centers or agencies, and comparisons between different functions within the *same* child care center or agency. An appropriate classification system is necessary to assure the validity of comparisons between agencies.

Four types of cost comparisons between *different* child care centers are recommended:

1. Comparisons of the operational differences in cost and program between two or more child care centers
2. Comparisons of the operational differences in cost and program between two or more groups or classes of child care centers
3. Comparisons of how widely individual centers in any class vary
4. Establishment of norms and determination of the deviation of individual child care centers and groups of child care centers from these norms

Useful indices for *internal* comparisons include the following:

1. The ratio of personnel costs to total operating costs
2. The percentage of total operating costs spent on each functional category of the center's operations
3. The ratio of management costs to program operating costs
4. The ratio of "fund-raising costs" to "funds raised" and "funds raised" to "operating expenses"
5. The ratio of the value of the capital assets accumulated during the year to total income
6. The total cost per child-hour of the day care service

The cost analysis model given in this *Manual* provides a simple method of organizing data to supply the necessary information for meaningful and useful analysis of income, expense, and functional expenditure.

The distribution of the percentages of total income derived from six major sources of income is seen as an indication of the strength and stability of the day care center's income pattern.

The distribution of the percentages of total expenditures spent on ten major sources of expense is an indication of the operating integrity of the day care center.

An analysis of functional expenditures provides the following aids to directors and administrators:

- The conceptional discipline of defining what the center is doing
- The process of sorting expenditures to enable identification of direct and allocated costs
- The means of estimating with confidence the cost consequence of expanding or contracting any service and the related impact on other services and facilities within the existing program
- The means of examining and evaluating the utilization of staff time
- The means of examining the financial implications of a service within a period of time
- The concept of measuring the results of programs by some common denominator

Cost analysis has produced many and varied benefits for the social welfare agencies that have utilized the process. Boards have found that the data supplied from cost analysis have enabled them to better understand the costs of agency programs and to relate finances to program. It has helped in evaluation and program planning. The data provided have served as program and cost guidelines, enabling boards and administrators to evaluate and restate their own goals and programs. The relationship between goals and costs becomes clearer and thus aids in establishing and implementing priorities. The comparative aspect of the data is an effective management guide enabling administrators to more effectively analyze their own operations in relationship to other agencies. If, for example, food costs appear exceptionally high, administrators should seek a more economical method of providing this service.

Cost analysis can be used to interpret program and financial needs to the center's constituency and to the community. Administrators would find the data helpful in interpreting programs for the purpose of raising funds or supporting requests to federated funding bodies and foundations. The data will also help to establish fees and a basis for purchase of services, or possibly for negotiating rate increases with public agencies.

Time studies are the technique used in cost analysis for the allocation of personnel expense to the appropriate service. They also supply much information that administrators will find valuable. An examination and review of the time study data given on the individual time sheets as well as the summary of all personnel time will help the administration evaluate whether personnel time is being efficiently utilized. A time study could lead to reassignment and reorganization of staff workload. It could affect staffing and staff patterns. It also documents or informs how much time should be allocated to certain functions.

Cost analysis helps review whether funds—which all too often are limited—are being expended in the most efficient, effective, and economical way. Its use can help in improving care and services to children in day care by such means as upgrading programs and staff and by shifting unnecessary expenditures to more important needs.

PREPARING TO MAKE A COST ANALYSIS

The following list itemizes the recorded information that is required to make a cost analysis:

Income
Expense
Donated goods and services
Utilization of time
Daily attendance
Classification information

The discussion of the recommended methods and use of forms for collecting and recording information does not include income and expense, since a method of recording income and expense has been described in Part I.

Certain important facts about the forms developed for this *Manual* should be noted:

- All forms were designed to accommodate a wide variety of situations. Each form may therefore contain much that does not apply to any given center.
- Not all forms will be used by all centers.
- There is *no* implied suggestion that an "ideal" center should have all the sources of income and expense that appear on Worksheets Nos. 9 and 10, and all the functions shown on Worksheet No. 11. Worksheets Nos. 9, 10, and 11 must be used for the cost analysis.
- If a center is already using forms that supply all the required data for donated goods and services and daily attendance, the forms illustrated in those sections need not be completed.

An entire chapter has been devoted to donated goods and services. Because of the importance of this contribution to the successful operation of many day care centers, it is treated in some detail. Indeed, most government funding requires a major commitment on the part of directors to obtain and fully utilize volunteers and in-kind support. A fair and equitable way has therefore been sought to provide guidelines for dollar assignment to such sources of support, irrespective of the location of the center.

Worksheets Nos. 9, 10, and 11 are the final worksheets for the total cost analysis. If desired, they may become part of the financial package that directors and administrators present to their boards or funding bodies. The definitions of each line-item of income and expense are comprehensive and detailed in an effort to achieve standard reporting of all items. These definitions should be read carefully and understood before undertaking the analysis. It is extremely important for every center that uses this cost

analysis system to report the information requested on the assigned line on all worksheets. When reading the definitions, remember that "paid or owed" refers to the *accrual* basis of accounting. Therefore, if a center is still using cash-basis accounting, all appropriate accruals must be made before completing Worksheets Nos. 9, 10, and 11.

All records may cover only the period under analysis. If a center is using a quarterly analysis, first analyze each quarter individually so that it can be compared with the one previous. Next combine the amounts for the first and second quarters to give a six-month operating period. This helps point up seasonal differences when they occur and prevents the loss or lack of such information. This procedure also applies to a month-by-month analysis.

8

IMPUTED INCOME AND EXPENSE

The dollar value of donated services and noncash donations must be computed to obtain the total cost of services. This dollar value is reported as a source of imputed income and expense. Without an analysis of such contributions, there is no knowledge of the amount of in-kind support required to enable a day care center to fulfill the obligations of the program it offers to its clients.

Unnecessary costs such as donations of materials that the center does not want, cannot use, or would not normally prize highly enough to buy, should not be built into the analysis. Discarded magazines, tools, and household articles should not be reported as income and expense because they are not items of marketable value. Services that are not essential to the program, but which for various reasons cannot be refused, should also be excluded.

IN-KIND DONATIONS REQUIRING IMPUTATION

In-kind support must have an imputed value reported as income and expense. The following are major sources of in-kind support: services, equipment, supplies, and other. Each source is defined in the following pages, and forms are given so that the imputed income and expense can be summarized. Instructions are also given for the completion of each form.

Three points are stressed:

1. Examine the sources of in-kind donations discussed and earmark those that are applicable to your center.
2. Determine the cost as applicable in your community. See "Guidelines for Imputed Income and Expenses" in this chapter.
3. Report this cost as a source of income to the center and as an operational expense to the center.

Services

The services that require an imputation of cost are separated into four categories: volunteers, professional, other, and contracted.

A *volunteer* is defined as a person who works in a regular and routine pattern in some center function but is neither an employee of a parent organization nor paid a salary or fee by the center. A volunteer participates without legal obligation and receives no compensation of value such as promotion, money, fulfillment of degree requirements, child care service, or any other consideration. Thus students are not included as volunteers when they are part of a work-study arrangement in which they gain curriculum credit. Religious personnel are not included as volunteers. Children who are enrolled at the center but perform some duties are not included as volunteers.

Professional is defined as persons who are certified professional practitioners, consultants, and others who are not paid employees of the center and who provide specialized services to the center either free of charge or at reduced rates.

Other is defined as salaried and nonsalaried employees of the center who are receiving stipends or grants such as members of religious orders or trainees. Also included in this definition are persons who work in the center and are paid by the center's parent organization/central agency.

Contracted is defined as those services that a center would obtain on a contractual basis if it did not hire its own staff to perform such services, e.g., catering food. When such services are given by individuals or firms either free of charge or at reduced rates, they are to be considered as a source of imputed income and expense.

Equipment

Equipment that requires an imputation of cost is divided into two general categories:

Free use of: equipment that has been donated to the center and equipment that the center may use free of charge.

Reduced Rental Charges: equipment for which the center pays a token rental or a rental charge significantly lower than lease or rental rates.

Supplies

Supplies that require an imputation of cost are divided into two general categories:

Free: supplies donated to the center.

Reduced charges: supplies purchased by the center at a token cost or a cost significantly lower than usual business rates. *This does not refer to normal or special discount rates.*

Other In-Kind Donations

Other in-kind donations that require imputation of cost are separated into two general categories—Administration and Occupancy costs.

1. **Administration Costs:** expenses that are charged to the Administration functional category such as:

   Free advertising: specific advertising (media, billboard, etc.) related to the day care center's program that is given free of charge to the center. *Do not* include coverage and features that are a normal part of the media's function.

   Reduced advertising charges: specific advertising purchased at a token cost or a cost significantly lower than normal rates.

   Free telephone service: free use of telephone.

   Reduced telephone service charges: when a token payment is made for shared telephone costs.

2. **Occupancy Costs:** expenses chargeable to the Occupancy functional category such as:

   Free use of space: free use of space (grounds and buildings), whether or not the title to the property and building has passed to the center, i.e., donated. *Do not* include those facilities that are open and available without charge to the public on a nonreserved basis. However, if a center uses a public school building or some of its classrooms on a regular basis, a value should be imputed for use of this space and a footnote written on the worksheets indicating the source and amount of this imputation.

   Reduced rental charges: space rented for a token amount or at a cost significantly lower than rental rates.

   Free utilities service: free use of utilities.

   Reduced utilities service charge: a token payment made for shared utilities cost.

GUIDELINES FOR IMPUTED INCOME AND EXPENSE

Because of the face that costs vary greatly, not only across the nation but also from community to community, no specific rates for services and other in-kind donations are given. Instead, standards and formulas that can be applied in each situation are presented.

Imputed Expense – Services

Volunteers' rate should be either:

- The hourly rate already being paid to employees in like positions plus payroll taxes thereon; or
- The hourly rate on the open market for services given, or for the position filled. Both are subject to the maximum salaries or fees allowed by a funding body, plus payroll taxes thereon.

Professional rates should be the hourly rate, or cost of the specific service *in your area.*

Other service rates:

- The *commercial rate* for salaried (stipend) and nonsalaried (grant) staff personnel is the same as the volunteer rate.
- The rate for parent organization/central agency staff is the hourly or annual rate paid such staff by the parent organization/central agency plus payroll taxes thereon.

Contracted rates are the fair market value of contractual arrangements *in your area* for specific services.

Imputed Expense – In-Kind Donations

The formula for imputing expense and related income for equipment and use of space is:

Factor times Quantity equals Total Imputed Cost

Total Imputed Cost less Amount Paid equals Imputed Income

Imputed Income equals Imputed Expense

Equipment

Factor: Monthly fair market value of lease or rental *in your area* of the equipment actually being used in the center.

Quantity: Number of months the equipment has been *in use in the reporting period.*

Use of Space

Factor: Fair market value per square foot for rent of space *in your area* for the number of months in your reporting period.

Quantity: The total number of square feet of space the center uses.

When a day care center operates in a building that has been donated (where title of the building and property passes to the center), the amount to be reported must be the *lesser* of:

1. The cost based on the factor and quantity given for use of space, or
2. The amount of depreciation applicable to the reporting period as shown on the "Depreciation Schedule for Fixed Assets" in Appendix 6.

Supplies

The formula for imputing expense and related income for all types of supplies is:

Factor times Quantity equals Total Imputed Cost

Total Imputed Cost less Amount Paid less Supplies Unused at End of Reporting Period equals Imputed Income

Imputed Income equals Imputed Expense

Factor: The fair market value unit price of item *in your area.*

Quantity: Total number of items received during the reporting period.

Supplies unused at end of reporting period: The fair market value unit price of item, times the number of items from quantity above that were not used during the reporting period.

Other

Advertising: use the fair market value of advertising space or time *in your area* for newspaper, radio, billboard, etc.

Telephone and Utilities: estimate on the best information available using the rates *in your area.*

Forms along with instructions are given to enable management to summarize all imputed income and expense. Although the instructions assume that the bookkeeper has been delegated the responsibility of handling all forms, it should be understood that management may delegate this responsibility to any staff member.

Before using any forms, it is recommended that worksheets be set up with all columns and lines appropriately titled and all areas blocked out as shown on the illustrations.

COST ANALYSIS

Center Name _____ Reporting Period

from_____ to_____

IMPUTED SERVICES EXPENSE -- PROFESSIONAL – WORKSHEET NO. 1

DATE	NAME	TYPE OF SERVICE PROVIDED	HOURS	FOR OFFICE USE ONLY: IMPUTED RATE PER HOUR	TOTAL IMPUTED EXPENSE	FUNCTIONAL CATEGORY
				TOTAL:	$	

FOR OFFICE USE ONLY **APPROVED:** _____

SUMMARY OF TOTAL IMPUTED EXPENSE BY FUNCTION

1 Administration	2 Occupancy	3 Teaching and Child Care	4 Parent Education and Counseling	5 Food Service	6 Health Service	7 Staff Development	8 Transportation	9 Total
$ *	$ *	$ *	$ *	$ *	$ *	$ *	$ *	$ *

*Transfer these totals to Worksheet No. 4, Line 30.

INSTRUCTIONS FOR COMPLETING WORKSHEET NO. 1
Imputed Services Expense – Professional

The bookkeeper should perform the following steps:

(1) Enter name of center at top left-hand corner on line provided.

(2) Enter dates of reporting period at top right-hand corner on line provided.

(3) Ensure that each professional service given is *recorded on the day the service is given* by having the professional person who is giving the service:

  (a) Enter the date on which service was given.

  (b) Enter signature opposite the date.

  (c) Enter the type of services provided.

  (d) Enter the number of hours of services given.

(4) Complete the "For Office Use Only" section at the end of the reporting period in the following manner:

  (a) Opposite each service reported, in the column provided, enter the hourly rate *in your community* for such service (imputed rate per hour).

  (b) Multiply the number of hours by the imputed rate per hour and enter in the column titled "Imputed Total Expense." (If the service provided is not normally based on the number of hours, then enter the cost of such services in your area in the "Imputed Total Expense" column, e.g., the base for service may be the number of children serviced.)

  (3) Enter in the last column "Functional Category" the title of the function to which the service should be charged. See "Guidelines for Allocating Time to Functional Categories" (see Chapter 9).

  (d) Repeat (a), (b), and (c) for all services given during the reporting period and recap the "Imputed Total Expense" using "Summary of Total Imputed Expense by Function."

  (e) Cross-check totals as follows:

    Total: "Total Imputed Expense" equals Column 9 equals total of Columns 1 through 8.

  (f) Enter signature on line titled "Approved."

The totals in the summary will be transferred to Worksheet No. 4, line 30.

COST ANALYSIS

Center Name _____ Reporting Period from ____ to ____

IMPUTED SERVICES EXPENSE – OTHER – WORKSHEET NO. 2

Name	A	B	C	D	E	F	1		2		3		4		5		6		7		8	
	Commercial Rate	Less Amount Paid	Imputed Expense	Payroll* Tax Factor	Imputed Payroll Tax Expense	Total Imputed Expense	Administration		Occupancy		Teaching and Child Care		Parent Education and Counseling		Food Service		Health Service		Staff Development		Transportation	
1.	$	$< >	$	%	$	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$
2.		< >																				
3.		< >																				
4.		< >																				
5.		< >																				
6.		< >																				
7.		< >																				
8. Subtotal Imputed																						
9. Expense for Salaried																						
10. and Nonsalaried Center Staff	$	$< >																				
11.																						
12.																						
13.																						
14.																						
15.																						
16.																						
17.																						
18. Subtotal Imputed Expense																						
19. for Parent Organization/Central																						
20. Agency Staff			$		$																	
21. TOTAL IMPUTED SERVICES EXPENSE – OTHER						$ **		$ **		$ **		$ **		$ **		$ **		$ **		$ **		$ **

***DO NOT** use a tax factor if payroll tax has not been paid on "Amount Paid" to center staff.
Use the current year's payroll tax rate that **has** been paid on "Amount Paid" to center staff and for all Parent Organization/Central Agency staff.
** Transfer these totals to Worksheet No. 4, Line 31.

INSTRUCTIONS FOR COMPLETING WORKSHEET NO. 2

Imputed Services Expense – Other

First enter the name of the center at the top left-hand corner and the dates of the reporting period at the top right-hand corner on the lines provided.

Imputed Expense for Salaried and Nonsalaried Center Staff

(1) Enter in the appropriate columns the name and the percent of time distribution by function taken from the random-sample time sheet (Form B in Chapter 9) completed for each staff member classified as "other."

(2) Enter the commercial rate in column A.

(3) Enter the amount center paid to staff in column B. (See record of employee earnings and other compensation record.)

(4) Subtract amount in column B from amount in column A and enter the result in column C.

(5) If the center has paid payroll taxes on step 3 above, enter the current year's tax rate in column D. *Do not* enter a tax factor for a staff member for whom the amount entered in column B was taken from a record of other compensation.

(6) If a tax factor is entered in column D, multiply the amount in column C by this tax factor and enter the result in column E. If a tax factor is not applicable enter "-O-" in column E.

(7) Add amount in column C to amount in column E and enter in column F.

(8) Distribute the amount for each staff member in column F to columns 1 through 8 using the percentage shown in each appropriate column.

Example: % in column 1 x (times) $ amount in column F
= (equals) $ amount to be entered in column 1.

(9) Cross-check to see that $ amounts in columns 1 through 8 total to amount in column F.

(10) Total each dollar amount in each column and enter the results in the appropriate columns on line 10.

(11) Cross-check on line 10:

Total column A minus Total column B equals Total column C.

Total column C plus Total column E equals Total column F.

Total column F equals Total of total columns 1 through 8.

Imputed Expense for Parent Organization/Central Agency Staff

(1) Using the time sheets completed by parent organization/central agency staff:

(a) Enter the name of the person.

(b) Enter dollar amount from grand total column line titled "Allocation of Salary," Random-Sample Time Sheet in column C.

(c) Enter in the appropriate columns on Worksheet No. 2 the percent of time distribution by function taken from the line titled "% to total."

(2) Enter the current year's tax factor in column D.

(3) Multiply the amount in column C by the rate in column D and enter the result in column E.

(4) Add column E to column C and enter the result in column F.

(5) Distribute the amount for each staff member in column F to columns 1 through 8 by using the percent shown in each appropriate column.

Example: % in column 1 x (times) $ (dollar) amount in column F
= (equals) $ (dollar) amount to be entered in column 1.

(6) Cross-check to see that $ (dollar) amounts in columns 1 through 8 total to $ (dollar) amount in column F.

(7) Total each dollar amount in each column, lines 11 through 17, and enter the results in the appropriate column on line 20.

(8) Cross-check line 20:

Total column C plus total column E equals total column F.
Total column F equals total of totals column 1 through 8.

To summarize the imputed services expense by function:

(a) Total the amounts on lines 10 and 30 in columns F through 8, and enter the results in the appropriate column F through 8 on line 21.

(b) Cross-check line 21:

Total column F equals total columns 1 through 8.

Transfer the totals from columns F through 8 on line 21 to Worksheet No. 4.

Center Name _____ Reporting Period from _____ to _____

IMPUTED SERVICES EXPENSE – CONTRACTED – WORKSHEET NO. 3

Type of Contracted Service (Donated)	(A) FACTOR	(B) TOTAL	(C) ACTUALLY PAID	(D) IMPUTED EXPENSE	(E) FUNCTIONAL EXPENSE Amount	(E) FUNCTIONAL EXPENSE Title	CODE
1. **SERVICES**							
2.							
3. **Free** Maintenance Service	Fair market value of contractual arrangements for maintenance services in your area	$		$			
4.							
5.							
6.							
7.							
8. **Reduced** Maintenance Service Charges	SAME AS ABOVE	$	$< >	$	$ (a)	Occupancy	2
9.							
10.							
11. **Free** Food Catering Service	Fair market value of contractual arrangements for catering food in your area	$		$			
12.							
13.							
14.							
15.							
16. **Reduced** Food Catering Service Charges	SAME AS ABOVE	$	$< >	$	$ (a)	Food Service	5
17.							
18.							
19. **Free** Transportation Service	Fair market value of contractual arrangements for transportation services in your area	$		$			
20.							
21.							
22.							
23.							
24. **Reduced** Transportation Service Charges	SAME AS ABOVE	$	$< >	$	$ (a)	Teaching and Child Care	3
25.					$ (a)	Transportation	8
26. TOTAL IMPUTED SERVICES EXPENSE – CONTRACTED		$	$< >	$	$ (a)		

(a) Transfer these totals to Worksheet No. 4, Line 32.

INSTRUCTIONS FOR COMPLETING WORKSHEET NO. 3
Imputed Services Expense – Contracted

Enter the name of the center at the top left-hand corner and the dates of the reporting period at the top right-hand corner on the lines provided. Complete the worksheet as follows:

Maintenance Service

Free of Charge

(1) Enter the fair market value of contractual arrangements for maintenance services in your area in columns B and D, on line 3.

Reduced Charges

(2) Enter the fair market value of contractual arrangements for maintenance services in your area in column B, on line 8.

(3) Enter the amount the center paid for the services in column C, on line 8.

(4) Subtract the amount in column C from the amount in column B and enter the result in column D, on line 8.

(5) Combine amounts in column D, line 8 and line 3, and enter the result in column E, line 8. (Occupancy, code 2)

Food Catering Service

Free of Charge

(6) Enter the fair market value of contractual arrangements for catering food in your area in columns B and D, on line 11.

Reduced Charges

(7) Enter the fair market value of contractual arrangements for catering food in your area in column B, on line 16.

(8) Enter the amount the center paid for the service in column C, line 16.

(9) Subtract the amount in column C from the amount in column B, and enter the result in column D, on line 16.

(10) Combine amounts in column D, lines 11 and 16, and enter result in column E, on line 16. (Food Service, code 5)

Transportation Service

Free of Charge

(11) Enter the fair market value of contractual arrangements for transportation services in your area in columns B and D, on line 19.

Reduced Charges

(12) Enter the fair market value of contractual arrangements for transportation services in your area in column B, on line 24.

(13) Enter the amount the center paid for the service in column C, on line 24.

(14) Subtract the amount in column C from the amount in column B and enter the result in column D, on line 24.

(15) Combine amounts in column D, line 19 and 24, and:

(a) Enter the amount applicable to field trip transportation in column E, on line 24. (Teaching and Child Care, code 3)

(b) Enter the amount applicable to portal-to-portal transportation in column E, on line 25. (Transportation, code 8)

When all the above steps have been completed, balance the worksheet as follows:

(1) Total all amounts in columns B, C, D, and E and enter the results in the appropriate columns on line 26.

(2) Cross-check on line 26:

Total column B *less* total column C = (equals) total column D = Total Column E.

Transfer the totals in column E to Worksheet No. 4.

INSTRUCTIONS FOR COMPLETING WORKSHEET NO. 4

Imputed Services Expense – Summary

Enter the center name at the top left-hand corner and the dates of the reporting period at the top right-hand corner on the lines provided.

Separate the volunteer time sheets (Form C in Chapter 9) which have been completed for the reporting period into three groups: parents, local community, and other community.

Complete the worksheet as follows:

(1) Enter the name and the imputed hourly rate shown on each Form C in the appropriate columns.

COST ANALYSIS

Center Name _____ Reporting Period from _____ to _____

IMPUTED SERVICES EXPENSE – SUMMARY – WORKSHEET NO. 4

Name	Imputed Hourly Rate	1 Administration		2 Occupancy		3 Teaching and Child Care		4 Parent Education and Counseling		5 Food Service		6 Health Service		7 Staff Development		8 Transportation		9 TOTAL	
		Hours	Dollars	Hours	Dollars	Hours	Dollars	Hours	Dollars	Hours	Dollars	Hours	Dollars	Hours	Dollars	Hours	Dollars	Hours	Dollars
1. List Parent Volunteers	$																		
2.																			
3.																			
4.																			
5.																			
6.																			
7.																			
8.																			
9.																			
10. Subtotal Parent Hours & Imputed Service Expense																			
11. List Local Community Volunteers																			
12.																			
13.																			
14.																			
15.																			
16.																			
17.																			
18.																			
19.																			
20. Subtotal Local Community Hrs. & Imputed Serv. Exp.																			
21. List Other Community Volunteers																			
22.																			
23.																			
24.																			
25. Subtotal Other Community Hours & Imputed Service Expense																			
26. Total Hours & Imputed Expense by Function - Volunteers		(a)	$	(a)	$	(a)	$	(a)	$	(a)	$	(a)	$	(a)	$	(a)	$	(a)	$
27. Payroll Tax Factor* - Volunteers			%		%		%		%		%		%		%		%		%
28. Imputed Payroll Tax Expense - Volunteers (Line 26x27)			$		$		$		$		$		$		$		$		$
29. Total Imputed Expense By Function - Volunteers (Line 26+28)			$		$		$		$		$		$		$		$		$
30. Total Imputed Expense By Function - Professional			$		$		$		$		$		$		$		$		$
31. Total Imputed Expense By Function - Other			$		$		$		$		$		$		$		$		$
32. Total Imputed Expense By Function - Contracted					$		$				$						$		$
33. GRAND TOTAL IMPUTED SERVICES EXPENSE BY			$ (b)		$ (b)		$ (b)		$ (b)		$ (b)		$ (b)		$ (b)		$ (b)		$(b,c)
34. FUNCTION – (Lines 29, 30, 31, & 32)																			

*Use current year's rate.

Sources:
- Line 30: Worksheet No. 1, Summary Section.
- Line 31: Worksheet No. 2, Line 21.
- Line 32: Worksheet No. 3, Column E.

Transfer Steps:
- (a) Transfer these totals to Worksheet No. 6, Line 24.
- (b) Transfer these totals to Worksheet No. 11, Line 11.
- (c) Transfer this total to Worksheet No. 9, Line 3(a); Worksheet No. 10, Line 9(a); Form F, Line Imputed Expense 1, Services, and Form F, Imputed Income.

(2) Transfer the number of hours by function from each Form C to the appropriate columns on the worksheet.

(3) Multiply the hourly rate by the number of hours shown in column 1 and enter the result in column 1, "Dollars." Repeat this for columns 2 through 9.

(4) Cross-check each entry as follows:

Total $ amount column 9 = (equals) Total $ amount columns 1 through 8.

Repeat these four steps for each *parent volunteer.*

(5) Total the amounts in each column lines 1 through 9, and enter the results in the appropriate columns on line 10.

(6) Cross-check line 10; see step 4.

Repeat steps 1 through 4 for each *local community volunteer.*

(7) Total amounts in each column, lines 11 through 19, and enter results in appropriate columns on line 20.

(8) Cross-check line 20; see step 4.

Repeat steps 1 through 4 for each *other community volunteer.*

(9) Total amounts in each column, lines 21 through 24, and enter results in appropriate columns on line 25.

(10) Cross-check line 25; see step 4.

(11) Total amounts in each column lines 10, 20, and 25, and enter results in appropriate columns on line 26.

(12) Cross-check line 26; see step 4.

(13) Enter the current year's tax rate in columns 1 through 9 on line 27.

(14) Multiply the $ amount in column 1, line 26 by the tax factor on line 27 and enter result on line 28. Repeat this for columns 2 through 9.

(15) Cross-check line 28; see step 4.

(16) Add amounts in column 1, lines 26 and 28, and enter result on line 29. Repeat this for columns 2 through 9.

(17) Enter in columns 1 through 9 on line 30, the amounts shown on Worksheet No. 1, summary section, columns 1 through 9.

(18) Enter in columns 1 through 9 on line 31, the amounts shown on Worksheet No. 2, line 21, columns 1 through 9.

(19) Enter in columns 2, 3, 5, 8, and 9 on line 32, the amounts shown on Worksheet No. 3, in column E, codes 2, 3, 5, 8, and total.

(20) Total amounts in column 1, lines 29, 30, 31, and 32, and enter on line 33. Repeat this for columns 2 through 9.

(21) Cross-check line 33; see step 4.

The total hours from columns 1 through 9, line 26, will be transferred to "Summary of Random-Sample Man-Hours," Worksheet No. 6.

The totals from columns 1 through 9, line 33, will be transferred to "Analysis of Functional Expenditure," Worksheet No. 11.

The total amount of column 9, line 33, will be transferred to: (1) Form F, Imputed Expense, Services, (2) Worksheet No. 9, line 3(a), and (3) Worksheet No. 10, line 9(a).

INSTRUCTIONS FOR COMPLETING WORKSHEET NO. 5

Summary of Noncash Donations

Enter the center name at the top left-hand corner and dates of reporting period at the top right-hand corner on pages 1 and 2 on the lines provided. Complete the worksheet as follows:

Equipment and Furniture

Free Use

(1) Enter the monthly fair market value of lease or rental of office equipment and furniture in your area in column A, on line 4.

(2) Enter the number of months the equipment and furniture have been used in the current reporting periodin column B, on line 4.

(3) Multiply the $ amount in column A by the number in column B and enter the result in columns C, F, and G, on line 4.

Repeat steps 1 through 3 for Occupancy, Teaching and Child Care, Kitchen Equipment, and Auto Equipment, using lines 5, 6, 7, and 8.

Reduced Rental Charges

(4) Enter the monthly fair market value of lease or rental of office equipment and furniture in your area in column A, on line 12.

(5) Enter the number of months the equipment and furniture have been used in the current reporting period in column B, on line 12.

(6) Multiply the $ amount in column A by the number in column B and enter the result in column C, on line 12.

Center Name _____ Reporting Period from _____ to _____

SUMMARY OF NONCASH DONATIONS – WORKSHEET NO. 5

Page 1

Type of Noncash Donation	A Factor	B Quantity	C Total	D Actually Paid	E Unused at End of Reporting Period	F Imputed Income	G Imputed Expense	H Functional Expense Amount	H Functional Expense Title	CODE
1. **EQUIPMENT & FURNITURE:**										
2.										
3. **FREE USE OF:**										
4. Office Equipment & Furniture	Monthly fair market value of lease or rental of equipment from outside services	Number of months assets have been used in the current reporting period	$			$	$			
5. Occupancy Equipment			$			$	$			
6. Teaching and Child Care Equipment & Furniture			$			$	$			
7. Kitchen Equipment			$			$	$	$ (a)	Administration	1
8. Auto Equipment			$			$	$	$ (a)	Occupancy	2
9.								$ (a)	Teaching and Child Care	4
10.								$ (a)	Food Service	5
11. **REDUCED RENTAL CHARGES FOR:**	SAME AS ABOVE	SAME AS ABOVE						$ (a)	Transportation	8
12. Office Equipment & Furniture			$	$< >		$	$			
13. Occupancy Equipment			$	$< >		$	$			
14. Teaching and Child Care Equipment & Furniture			$	$< >		$	$			
15. Kitchen Equipment			$	$< >		$	$			
16. Auto Equipment			$	$< >		$	$			
17.	IMPUTED EXPENSE–EQUIPMENT SUBTOTAL		$	$< >		$	$	$ (a, b)		
18.										
19.										
20. **SUPPLIES:**										
21.										
22. **FREE:**										
23. Office Supplies	The fair market value unit price of items	Number of items Donated	$		$< >	$	$			
24. Materials for Special Events			$		$< >	$	$			
25. Occupancy Supplies			$		$< >	$	$			
26. Teaching & Child Care Supplies			$		$< >	$	$			
27. Food Supplies			$		$< >	$	$			
28. Heath Supplies			$		$< >	$	$			
29. Auto Supplies			$		$< >	$	$	$ (a)	Administration	1
30.								$ (a)	Occupancy	2
31.								$ (a)	Teaching and Child Care	3
32. **REDUCED CHARGES FOR:**								$ (a)	Food Service	5
33. Office Supplies	SAME AS ABOVE	Number of Items	$	$< >	$< >	$	$	$ (a)	Health Service	6
34. Material for Special Events			$	$< >	$< >	$	$	$ (a)	Transportation	8
35. Occupancy Supplies			$	$< >	$< >	$	$			
36. Teaching & Child Care Supplies			$	$< >	$< >	$	$			
37. Food Supplies			$	$< >	$< >	$	$			
38. Health Supplies			$	$< >	$< >	$	$			
39. Auto Supplies			$	$< >	$< >	$	$			
40.	IMPUTED EXPENSE–SUPPLIES SUBTOTAL		$	$< >	$< (c) >	$	$	$ (d)		

Transfer Steps:

(a) Transfer these totals to Worksheet No. 11.

(b) Transfer this total to Form F, Imputed Expense, Line 2, Equipment, and to Worksheet No. 10, Line 9(b).

(c) Use this total in General Journal Entry No. 21 – Supply Inventory Donated.

(d) Transfer this total to Form F, Imputed Expense, Line 3, Supplies, and to Worksheet No. 10, Line 9(c).

COST ANALYSIS

Center Name _____ Reporting Period from _____ to _____

SUMMARY OF NONCASH DONATIONS – WORKSHEET NO. 5

Page 2

Type of Noncash Donation	A Factor	B Quantity	C Total	D Actually Paid	E Unused at End of Reporting Period	F Imputed Income	G *Imputed Expense	H Functional Expense Amount	 Title	CODE
1. **OTHER:**										
2.										
3. Free Advertising	Fair market value of advertising material and space		$			$	$			
4.										
5.										
6.										
7. Reduced Advertising Charges	SAME AS ABOVE		$	$< >		$	$	(a)	Administration	1
8.										
9.										
10. Free Telephone Service	Estimate on best information available		$			$	$			
11.										
12.										
13. Reduced Telephone Service Charges	SAME AS ABOVE		$	$< >		$	$			
14.										
15.										
16. Free Use of Space	Market value per square foot in your area per **month** multiplied by number of months in reporting period.	Number Square Feet of Space	$			$	$			
17.										
18.										
19.										
20.										
21. Reduced Rental Charges for Space	SAME AS ABOVE	SAME AS ABOVE	$	$< >		$	$			
22.										
23.										
24. Building Donated	SAME AS ABOVE OR	SAME AS ABOVE	$			$	$	(a)	Occupancy	2
25.										
26.	Depreciation Expense (Appendix 6)		$			$	$			
27.	whichever is lesser amount.									
28.										
29. Free Utilities Service	Estimate on best information available		$			$	$			
30.										
31.										
32.										
33. Reduced Utilities Service Charges	SAME AS ABOVE		$	$< >		$	$			
34.	IMPUTED EXPENSE – OTHER SUBTOTAL		$	$< >		$	$	$ (c)		
35.	IMPUTED INCOME – NONCASH DONATION					$ (b)				

Transfer Steps:

(a) Transfer these totals to Worksheet No. 11.

(b) Transfer this total to Worksheet No. 9, Line 3(b), and to Form F, Imputed Income Line.

(c) Transfer this total to Form F, Imputed Expense, Line 4-Other, and to Worksheet No. 10, Line 3(d).

(7) Enter the amount the center paid for rental of this equipment and furniture in column D, on line 12.

(8) Subtract the $ amount in column D from the $ amount in column C and enter in columns F and G, on line 12.

Repeat steps 4 through 8 for Occupancy, Teaching and Child Care, Kitchen Equipment, and Auto Equipment, using lines 13, 14, 15, and 16.

(9) Total the amounts in column C, lines 4 through 16, and enter on line 17. Repeat for columns D, F, and G.

(10) Combine amounts in column G, lines 4 and 12, and enter in column H (Administration, code 1) on line 7.

(11) Combine amounts in column G, lines 5 and 13, and enter in column H (Occupancy, code 2) on line 8.

(12) Combine amounts in column G, lines 6 and 14, and enter in column H (Teaching and Child Care, code 3) on line 9.

(13) Combine amounts in column G, lines 7 and 15, and enter in column H (Food Service, code 5) on line 10.

(14) Combine amounts in column G, lines 8 and 16, and enter in column H (Transportation, code 8) on line 11.

(15) Total the amounts in column H, lines 7 through 11, and enter on line 17.

(16) Cross-check line 17:

Total column C less Total column D
= (equals) Total column F = Total column G = Total column H

Supplies

Free

(1) Enter the fair market value unit price of office supplies in your area, in column A, on line 23.

(2) Enter the number of units or items of office supplies received during the current reporting period in column B, on line 23.

(3) Multiply the $ amount in column A by the number in column B and enter the result in column C, on line 23.

(4) Enter the fair market value of these supplies that are unused at the end of the reporting period (fair market value unit price times the number of units unused) in column E, on line 23.

(5) Subtract the amount in column E from the amount in column C and enter in columns F and G, on line 23.

Repeat steps 1 through 5 for Materials Donated for Special Events, Occupancy, Teaching and Child Care, Food, Health, and Auto Supplies, using lines 24, 25, 26, 27, 28, and 29.

Reduced Charges

(6) Complete steps 1, 2, and 3 above, using line 33.

(7) Enter the amount paid by the center for these supplies in column D, on line 33.

(8) Enter the fair market value of the supplies that are unused at the end of the reporting period in column E, on line 33 (see step 4 above).

(9) Subtract the $ amounts in columns D and E from the $ amount in column C and enter in columns F and G, on line 33. (Column C less column D less column E = column F = column G.)

Repeat steps 6 through 9 for Materials for Special Events, Occupancy, Teaching and Child Care, Food, Health, and Auto Supplies, using lines 34, 35, 36, 37, 38, and 39.

(10) Add amounts in column C, lines 23 through 39, and enter on line 40. Repeat for columns D, E, F, and G.

(11) Combine amounts in column G, lines 23, 24, 33, and 34, and enter result in column H (Administration, code 1) on line 29.

(12) Combine amounts in column G, lines 25 and 35, and enter result in column H (Occupancy, code 2) on line 30.

(13) Combine amounts in column G, lines 26 and 36, and enter result in column H (Teaching and Child Care, code 3) on line 31.

(14) Combine amounts in column G, lines 27 and 37, and enter result in column H (Food Service, code 5) on line 32.

(15) Combine amounts in column G, lines 28 and 38, and enter result in column H (Health Service, code 6) on line 33.

(16) Combine amounts in column G, lines 29 and 39, and enter result in column H (Transportation, code 8) on line 34.

(17) Add amounts in column H, lines 29 through 34, and enter on line 40.

(18) Cross-check line 40:

Total column C less Total column D less Total column E
= (equals) Total column F = Total column G = Total column H

Other

Free Advertising

(1) Enter the fair market value of advertising material and space in your area in columns C, F, and G, on line 3.

Reduced Advertising Charges

(2) Enter amount in step 1 in column C, on line 7.

(3) Enter amount center paid for this advertising expense in column D, on line 7.

(4) Subtract amount in column D from amount in column C and enter in columns F and G, on line 7.

Free Telephone Service

(5) Enter an estimate of the value of such service based on best information available in columns C, F, and G, on line 10.

Reduced Telephone Service Charges

(6) Enter amount from step 5 in column C, on line 13.

(7) Enter amount center paid for telephone service in column D, on line 13.

(8) Subtract amount in column D from amount in column C and enter in columns F and G, on line 13.

(9) Combine amounts in column G, lines 3, 7, 10, and 13, and enter in column H (Administration, code 1) on line 7.

Free Use of Space

(10) Enter the fair market value per square foot for one month's use in your area times the number of months in your reporting period in column A, on line 16.

(11) Enter the number of square feet of space being used in column B, on line 16.

(12) Multiply the $ amount in column A by the number in column B and enter in columns C, F, and G, on line 16.

Reduced Rental Charges

(13) Complete steps 10 and 11 using line 21.

(14) Multiply $ amount in column A by the number in column B and enter in column C, on line 21.

(15) Enter the amount of rent paid by the center for this space in column D, on line 21.

(16) Subtract the $ amount in column D from the $ amount in column C and enter result in columns F and G, on line 21.

Building Donated

(17) The amount to be entered in columns C, F, and G is the *lesser* of either (a) an amount computed by following steps 10, 11, and 12 *or* (b) the amount of depreciation for the building for the reporting period. See Appendix 6.

If (a) is the lesser, enter on line 24.

If (b) is the lesser, enter on line 26.

Free Utilities Service

(18) Enter an estimate of the value of free utilities service based on the best information available in columns C, F, and G, on line 29.

Reduced Utilities Service Charges

(19) Enter amount from step 18 in column C, on line 33.

(20) Enter the amount paid by the center for this service in column D, on line 33.

(21) Subtract the $ amount in column D from the $ amount in column C and enter in columns F and G, on line 33.

(22) Combine totals in column G, lines 16, 21, 24, 26, 29, and 33, and enter in column H (Occupancy, code 2) on line 24.

(23) Total all amounts in column C, page 2, and enter on line 34. Repeat for columns D, F, G, and H.

(24) Cross-check line 34:

Total column C *less* column D
= (equals) Total column F = Total column G = Total column H

(25) Combine amounts from:

Page 1, column F, lines 17 and 40, and

Page 2, column F, line 34,

and enter result on Page 2, column F, on line 35.

The totals from column H, pages 1 and 2, will be transferred to Worksheet No. 11.

The total from column H, page 1, line 17 will be transferred to:

(1) Form F, Imputed Expense Equipment.

(2) Worksheet No. 10, line 9(o).

The total from column H, page 1, line 40, will be transferred to:

(1) Form F, Imputed Expense Supplies.

(2) Worksheet No. 10, line 9(c).

The total from column H, page 2, line 34, will be transferred to:

(1) Form F – Imputed Expense, Other.

(2) Worksheet No. 10, line 9(d).

The total from column F, page 2, line 35 will be transferred to Worksheet No. 9, line 3(b).

9

UTILIZATION OF TIME

All day care personnel will have been informed that time studies are being carried out as part of the cost analysis. Persons affected will include all center staff, both salaried and nonsalaried, including management personnel, and parent organization/central agency staff who work either full-time or part-time in the center and are paid by the parent organization/central agency. All staff will participate in the random-sample time analysis, which should cover 11.5 percent of the days when a center is open during a program year. If parent organization/central agency staff work occasionally or irregularly in the center, they should report time worked each day they are in the center instead of participating in the random-sample time analysis. Volunteers should complete a time sheet for each day worked.

Time kits should be distributed to each staff member and volunteer. The staff kit should contain Form B, "Random-Sample Time Sheet," and Instructions for completing Form B, and "Guidelines for Allocating Time to Functional Categories." The volunteer kit will include the Guidelines along with Form C, "Volunteer Time Sheet," and Instructions for completing Form C.

The bookkeeper should explain carefully to each staff member and volunteer the importance of correctly reporting time by functional services and should see that each staff member clearly understands the "Guidelines for Allocating Time to Functional Categories."

The primary function of the volunteer time sheet is to record the total hours of work so that an imputation of income and expense can be made.

To allocate the proper expense to each service, the volunteer should report time worked by function.

The Bookkeeper's Duties

(1) On all time sheets, enter the name of the center at the top left-hand corner and the dates of the reporting period at the top right-hand corner before distributing time kits.

(2) Check to see that information is completed *on the day worked*, i.e., collect the time sheet each day worked. Return time sheet to volunteer on the next day worked, and to staff on next random-sample time study day.

At the end of each reporting period:

(1) Check the correctness of total hours reported for each date and for the total period.

(2) Ensure that volunteer entered check in correct box after signature.

(3) Complete "For Office Use Only" by:

(a) entering signature on "Approved" line

(b) entering the "Imputed Hourly Rate" in accordance with Guidelines for Imputed Income and Expense, Chapter 8.

INSTRUCTIONS FOR COMPLETING FORM B

Random-Sample Time Sheet

(1) The staff member should enter his or her name and position or title at top left-hand corner, adding a check-mark in the appropriate box to identify staff as either center staff (paid by the center) or parent organization/central agency (paid by the parent organization/central agency).

(2) In completing the time sheets, the day and date of the time study are to be entered in the first column, and the amount of time (to the nearest quarter-hour) spent in each function is to be entered under the appropriate functions. See "Guidelines for Allocating Time to Functional Categories."

(3) At the end of each time study day, hours spent working on center business should be totaled and entered in the last column, "Grand Total," and the time sheet should be turned in to the bookkeeper or staff member in charge of handling time study material.

These individual time sheets will be returned to staff on the next time study day so that at the end of the reporting period the accumulated time will be reflected on these sheets.

Instructions to Bookkeeper

(1) Total the hours reported under each function and enter the resulting totals in the appropriate column on line titled "Total (applicable) Quarter."

(2) Check to see that the sum of the total hours reported for each function equals the total under "Grand Total" column.

Center Name _____
Name _____
Position/Title _____
Center ☐
Parent Organization/Central Agency ☐

FORM B

RANDOM-SAMPLE TIME SHEET

NOTE: All time to be reported to the nearest quarter-hour

DAY AND DATE	ADMINISTRATION	OCCUPANCY	TEACHING AND CHILD CARE	PARENT EDUCATION AND COUNSELING	FOOD SERVICE	HEALTH SERVICE	STAFF DEVELOPMENT	TRANSPORTATION	GRAND TOTAL
Total 1st Quarter									
Percent to Total									100%
Alloc. of Salary									$ *
Total 2nd Quarter									
Percent to total									100%
Alloc. of Salary									$ *

* Enter here the imputed cost for Parent Organization/Central Agency staff.

Center Name _____

Name _____

Position/Title _____

Center ☐

Parent Organization/Central Agency ☐

FORM B

(cont'd.)

RANDOM-SAMPLE TIME SHEET

NOTE: All time to be reported to the nearest quarter-hour

DAY AND DATE	ADMINISTRATION	OCCUPANCY	TEACHING AND CHILD CARE	PARENT EDUCATION AND COUNSELING	FOOD SERVICE	HEALTH SERVICE	STAFF DEVELOPMENT	TRANSPORTATION	GRAND TOTAL
Total 3rd Quarter									
Percent to total									100%
Alloc. of Salary									$ *
Total 4th Quarter									
Percent of total									100%
Alloc. of Salary									$ *

* Enter here the imputed cost for Parent Organization/Central Agency staff.

(3) Calculate the percentage each column total is of the grand total hours reported, and insert in the appropriate column on line titled "Percent to Total."

(4) Enter employee's gross salary taken from the record of employee earnings or from other compensation records, in grand total column on line titled "Allocation of Salary." (Also use for imputed cost.)

(5) Allocate gross salary to function using percentages from step 3 above and enter amounts in appropriate functional columns on line titled "Allocation of Salary."

GUIDELINES FOR ALLOCATING TIME TO FUNCTIONAL CATEGORIES

Remember to allocate time to nearest quarter-hour.

Administration

All time spent in the following activities should be allocated to the Administration function:

executive direction
program planning
fund raising
public relations
community involvement
legal consultation and advice (not related to client problems)
board and committee meetings
conferences, meetings, and conventions (other than educational)
general staff meetings
office management
personnel procurement
accounting, auditing, bookkeeping
record-keeping
registration
purchasing and distribution of supplies and equipment
reception, switchboard, mail distribution, filing, and other central office services
orienting and training volunteers and students seeking curriculum credit

Occupancy

All time spent in the following activities should be allocated to the Occupancy function:

janitorial
maintenance: engineering, plumbing, carpentry, electrical, etc.
laundry
security services

housekeeping
window-washing
snow removal
waste and rubbish removal
gardening and all other services required for the general day-to-day upkeep of buildings and grounds

Teaching and Child Care

Allocate all time spent in direct supervision of children and evaluation of children's progress to Teaching and Child Care. The following are types of activities that should be reported under the Teaching and Child Care function:

supervising and directing play and learning activities both in the classroom and in the playground
supervision of children at nap time
training in good health care (brushing teeth, etc.)
supervision and training at meal or snack time
singing and dancing
teaching a second language (French to children whose primary language is English, English to children whose primary language is Spanish, etc.)
supervising television program viewing
speech, physical, occupational therapy, psychological and psychiatric evaluation, and therapy
field trips including transportation time
evaluating children's progress
helping children with outdoor clothes on arrival at or departure from the center
all time spent in direct contact with the children while in the center
day camp activities

Parent Education and Counseling

Time spent instructing and counseling parents so that they may complement (and perhaps supplement) the center's program through practices and activities carried on at home should be allocated to the Parent Education and Counseling function.

All time spent in the following activities should be allocated to this function:

workshops for parents
meetings and conferences related to parent education
special instruction and education on child development, health, hygiene, nutrition, etc.
counseling parents on children's progress, referrals, problems encountered at home, etc.

Food Service

Allocate all time spent in activities directly connected with planning, preparing and serving meals and snacks to the Food Service function. This would include activities normally carried out by:

cooks
dieticians
nutritionists

Do not include time spent by teachers supervising meal and snack time. This activity is included under Teaching and Child Care.

Health Service

Only the time of salaried professional health staff should be allocated to the Health Service function. This includes time spent at the center by:

doctors
nurses
dentists

Staff Development

All time spent in a regular ongoing program designed to train center personnel as well as to improve staff performance in the activities of a day care center is allocated to the Staff Development function. To be included are:

- Any time spent in direct consultation with and instruction of staff members, and
- Meetings, conferences, and workshops related to staff development as defined here

Transportation

Allocate only time spent in portal-to-portal transportation of children enrolled in the program. Also include time spent in maintenance of vehicles used for this purpose. *Do not include time spent in transportation of children and staff on field trips here.* This activity is included under Teaching and Child Care.

FORM C

VOLUNTEER TIME SHEET

Center Name: _____ Reporting Period: _____

Volunteer Name: _____ From _____ to _____

Note: All time to be reported to the nearest quarter-hour.

DATE	1 ADMINISTRATION	2 OCCUPANCY	3 TEACHING AND CHILD CARE	4 PARENT EDUCATION AND COUNSELING	5 FOOD SERVICE	6 HEALTH SERVICE	7 STAFF DEVELOPMENT	8 TRANSPORTATION	9 TOTALS
Total Hours	*	*	*	*	*	*	*	*	*

Volunteer Signature: _____

Parent ☐
Community: Local ☐ Other ☐

FOR OFFICE USE ONLY

Approved: _____
Imputed Hourly Rate: $_____*

*Transfer these data to Worksheet No. 4.

INSTRUCTIONS FOR COMPLETING FORM C
Volunteer Time Sheet

(1) On each day that services are given, enter the date in the column provided.

(2) Report to the nearest quarter-hour the time spent in each functional category, using the columns provided. See "Guidelines for Allocating Time to Functional Categories."

(3) Enter the total number of hours worked each day in the column provided.

(4) Return time sheet to bookkeeper at the end of each day worked.

The four steps listed above should be completed each day on which the volunteer works in the center during the reporting period.

(5) At the end of the reporting period each column should be totaled and the number of hours entered in the appropriate column, using the line titled "Totals."

(6) Check to see that the total hours reported in column 9 equals the sum of the total hours reported in columns 1 through 8.

(7) Sign the time sheet at lower right-hand corner on the line provided and check the appropriate box:

Parent: a volunteer who has a child enrolled in the center
Community—local: member of the local community
Community—other: neigher a parent nor member of the local community

The information obtained on the individual timesheets is the basis for allocating personnel expense. The summary time data are used for prorating occupancy expense.

INSTRUCTIONS FOR COMPLETING WORKSHEET NO. 6
Summary of Random-Sample Man-Hours

First, enter the center's name at the top left-hand corner and the dates of the reporting period at the top right-hand corner on the lines provided.

(1) Transfer from "Random-Sample Time Sheets" Form B, the number of hours reported by function for each center and parent organization/central agency staff member.

(2) Total the hours in each column lines 1 through 14 and enter the results in the appropriate columns using line 15, "Total Center Staff Hours."

(3) Total lines 16 through 20 for each column and enter the results in the appropriate columns using line 22, "Total Parent Organization/Central Agency Staff Hours."

Center Name _____

Reporting Period

From _____ to _____

SUMMARY OF RANDOM-SAMPLE MAN-HOURS – WORKSHEET NO. 6

Name	1 Administration	2 Occupancy	3 Teaching and Child Care	4 Parent Education and Counseling	5 Food Service	6 Health Service	7 Staff Development	8 Transportation	9 TOTAL
1. List center personnel									
2.									
3.									
4.									
5.									
6.									
7.									
8.									
9.									
10.									
11.									
12.									
13.									
14.									
15. Total Center Staff Hours									
16. List Parent Organization/									
17. Central Agency Personnel									
18.									
19.									
20.									
21. Total Parent Organization/									
22. Central Agency Staff Hours									
23.									
24. Total Donated Hours									
25. Total Man-hours									
26. Percent of Total Hours	%	%	%	%	%	%	%	%	100%
	Computation of Percentages to be Used in Distribution of Occupancy Expense on Worksheet No. 11								
34. Man-hours by Function taken									
35. from Line 25									
36. Percent of Total	%		%	%	%	%	%		100%

Sources: Lines 1-14, 16-20: Form B.
Line 24: Worksheet No. 4.

Transfer Steps: Line 36: Transfer percentages to Worksheet No. 11, Line 17.

(4) On line 24, "Total Donated Hours," in the appropriate columns enter the total hours shown on Worksheet No. 4, line 26 columns 1 through 9.

(5) Enter the column totals of lines 15, 22, and 24 in the appropriate columns using line 25.

(6) Cross-check totals on line 25, total in column 9 should equal total of columns 1 through 8.

(7) Compute the percent each column total (line 25) is of column 9 (line 25) and insert in appropriate column on line 26. (Cross-check percents to total 100 percent.)

This last computation gives the distribution of all hours spent on center operations, and is useful in an examination of the utilization of staff time, both paid and donated.

(8) Computation of percentages (to be used in distribution of occupancy expense on Worksheet No. 11) is done as follows:

On line 35 in the appropriate columns enter the total man-hours from line 25, columns 1 and 3 through 7.

(As discussed earlier in the *Manual*, the expense of the Occupancy function is distributed to all other functional categories excluding Transportation on the basis of the number of man-hours spent in each functional service. Therefore *do not* transfer totals from line 25, columns 2 (Occupancy) and 8 (Transportation).

(9) Total columns 1 and 3 through 7 on line 35 and enter the result in column 9.

(10) Calculate the percent each column is of column 9 and enter in appropriate column on line 36. Cross-check that the total of columns 1 and 3 through 7 equals 100 percent.

(11) These percentages will be transferred to Worksheet No. 11.

INSTRUCTIONS FOR COMPLETING WORKSHEET NO. 7

Summary of Personnel Cost

Personnel expenses need be allocated to functional categories only at the end of a reporting period when an analysis of functional expense is to be prepared.

Using the appropriate columns, transfer to Worksheet No. 7, the total salary and allocation of salary to function shown on each individual Random-Sample Time Sheet.

Complete the form as follows:

(1) Enter on line 20 the total amount reported in each column.

Center Name _____

Reporting Period

From _____ to _____

SUMMARY OF PERSONNEL COST – WORKSHEET NO. 7

Name	1 Total Gross Earnings	2 Administration	3 Occupancy	4 Teaching and Child Care	5 Parent Education and Counseling	6 Food Service	7 Health Service	8 Staff Development	9 Transportation
1.	$ (a)	$ (a)	$ (a)	$ (a)	$ (a)	$ (a)	$ (a)	$ (a)	$ (a)
2.									
3.									
4.									
5.									
6.									
7.									
8.									
9.									
10.									
11.									
12.									
13.									
14.									
15.									
16.									
17.									
18.									
19.									
20. Total Gross Earnings	$	$	$	$	$	$	$	$	$
21.									
22. General Journal Entry #3-Debit	$								
23. General Journal Entry #3-Credit	( )								
24. Fringe Benefits	(b)								
25. Payroll Taxes	(b)								
26. Overtime Meals	(b)								
27. Workmen's Compensation Ins.	(b)								
28. Bonding Insurance	(b)								
29. Subtotal Lines 22-28	$								
30. Percent Line 29 is of Line 20	x% (c)	x%	x%	x%	x%	x%	x%	x%	x%
31. Distribution of Line 29		$	$	$	$	$	$	$	$
32.									
33. TOTAL PERSONNEL COSTS		$	$	$	$	$	$	$	$

(a) Source: Form B (b) Source: General Ledger Expense Accounts.

(c) Accrued Earnings, Fringe Benefits, Payroll Taxes, and other Personnel Cost are distributed to function on the basis of the percentage their combined total is of total earnings.

(2) Enter DEBIT to Salary account, *reversing entry*, from general journal entry Number 3, Accrued Salaries, on line 22.

(3) Enter CREDIT to Salary account, *set-up entry*, from general journal entry Number 3, Accrued Salaries, on line 23.

(4) For Fringe Benefits, enter on line 24 the balance in the account, that is, the difference between the balance per the general ledger account at the end of the current reporting period (after general journal adjustments) and balance at the end of the previous reporting period in your reporting year.

(5) For Payroll Taxes, enter on line 25 the balance in the account.

(6) For Overtime Meals enter on line 26 the balance in the account.

(7) For Workmen's Compensation Insurance enter on line 27 the balance in the account.

(8) For Bonding Insurance enter on line 28 the balance in the account.

(9) Enter on line 29 the subtotal of lines 22 through 28.

(10) Calculate the percentage line 29 is of line 20 and enter this percent in each column on line 30.

(11) Apply this percentage to each column total on line 20 and enter the resulting amounts on line 31 in the appropriate columns.

(12) In column 1, total lines 20 and 29 and enter on line 33.

(13) Total lines 20 and 31 in remaining columns and enter on line 33.

(14) The sum of the totals of columns 2 through 9 should equal the amount in column 1, line 33. Column 1, line 33 should also equal total personnel cost, line 1, Worksheet No. 10.

10

ANALYSIS OF COST

The procedures discussed in the previous chapters have shown how cost data are collected and recorded. This chapter discusses three operations that complete the cost analysis: units of service, instructions for analyzing cost, and the method of calculating the cost per child-hour and per child-year.

CALCULATING THE UNITS OF SERVICE PROVIDED

To calculate the cost per unit of service assumes that a common unit of service exists and can be arrived at accurately without undue difficulty.

The unit of measure must specify a time period during which service is provided. Hence, the cost per year, per month, per week, per day, or per hour must be computed. Because day care centers vary widely in the number of months and hours when they provide service, *cost per hour* of day care service was selected as the most appropriate time span for a unit of service.

The unit of measure must also reflect what is being measured. In a day care service, the most relevant measure is service to children. Hence, this *Manual* is designed to measure *cost per hour per child* of day care service.

Determining the number of children served is solved by using the actual daily attendance records. These records will supply the total actual number of child-hours of service given each month. Overhead and personnel cost remain constant whether or not the enrolled children are in attendance, and cost per child hour of service is therefore unaffected by these costs. The important point to remember is that cost analysis is meant to show the actual cost of services given within a set period—*not* to make allowances for special circumstances. If the cost per hour appears exceptionally high, then cost analysis helps to pinpoint the contributing causes. If nonattendance is a major cause, then consideration should be given to ways of improving the situation.

Besides requiring actual hours of service, the *Manual* recommends that centers calculate their *maximum* hours of service. This figure will enable a center to find the cost

per child-hour if it were operating at full capacity (licensed), and will provide the information needed to calculate the percent of capacity at which it is operating. All this information could lead to the development of a capacity-enrollment ratio.

Actual Child-Hours of Service

In determining actual child-hours of service, it is recommended that a record of daily attendance be kept and actual hours be accumulated on a monthly basis.

The "Daily Attendance Record," Form D, has been designed to facilitate this procedure and also to provide easy computation of average daily attendance (ADA) for those centers where governmental agencies make ADA a requirement of reporting.

To complete Form D, the *teacher* should:

(1) Enter each child's name in the first left-hand column.

(2) Enter in the second column the number of hours per day that each child attends.

(3) For each day's attendance, simply enter a check mark opposite each child's name under the number that corresponds with the day of the month.

To complete Form D, the *bookkeeper* should:

(1) At the end of each month multiply the number of hours per day by the number of check marks opposite each child's name and enter a total for each child in the final right-hand column.

(2) Total the number of hours in the final column and enter opposite "Total" in box at the lower right-hand corner of Daily Attendance Record.

A record of attendance should be kept for each month of the reporting period and the total hours of child service accumulated on "Summary of Child-Hours of Service," Worksheet No. 8, and used in analyzing costs.

Agencies that are required to report average daily attendance (ADA) should total the check marks under each day of the month and enter totals on the last line of each form. Compute ADA by using the following formula:

$$\frac{\text{Sum of totals of columns 1 through 31}}{\text{Number of days open (number of columns with totals)}} = \text{ADA}$$

Maximum Child-Hours of Service

The maximum child-hours of service is the number of child-hours of service that a center can offer based on its licensed capacity. As a general rule of thumb, this number is computed by the following formula:

Licensed capacity x Number of hours per day x Number of days center is open

Center Name_____

FORM D

DAILY ATTENDANCE RECORD

Month of _____, 19 ___

CHILD'S NAME	Hours Per Day	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	TOTAL HOURS
1.																																	
2.																																	
3.																																	
4.																																	
5.																																	
6.																																	
7.																																	
8.																																	
9.																																	
10.																																	
11.																																	
12.																																	
13.																																	
14.																																	
15.																																	
16.																																	
17.																																	
18.																																	
19.																																	
20.																																	
21.																																	
22.																																	
23. Daily Attendance																																	

TOTAL HOURS	
MAXIMUM HOURS	
ADA	

SUMMARY OF CHILD-HOURS OF SERVICE – WORKSHEET NO. 8

MONTH	ACTUAL HOURS	MAXIMUM HOURS	PERCENT ACTUAL IS OF MAXIMUM
JANUARY			
FEBRUARY			
MARCH			
APRIL			
MAY			
JUNE			
JULY			
AUGUST			
SEPTEMBER			
OCTOBER			
NOVEMBER			
DECEMBER			
TOTAL HOURS			

Example: Licensed capacity: 30 children
Open 5 days per week for 5 hours per day
Center was open for 23 days in May 1972
May total = 30 x 5(hrs.) x 23(days) = 3,450 hours

When a center offers more than one session and is open for a different number of hours each day, the formula is applied to each set of conditions as shown in the following example:

Example: Licensed capacity: 30 children
Length of session: 2½ hours
Schedule: Monday, Wednesday, and Friday – 2 sessions
Tuesday and Thursday – 1 session

Number of Mondays, Wednesdays, and Fridays in May 1972:	14
Number of Tuesdays and Thursdays in May 1972:	9
Total days open in May:	23

(Mondays, Wednesdays, and Fridays)	30 x 5 hours x 14 days	=	2,100 hours
(Tuesdays and Thursdays)	30 x 2½ hours x 9 days	=	675 hours
Total for May 1972:			2,775 hours

The maximum number of hours should be computed each month and entered opposite "Maximum" in the box at the lower right corner of the "Daily Attendance Record" and also on Worksheet No. 8.

COST ANALYSIS

The first part of cost analysis is to analyze income and expense by line-item and by functional category.

Worksheets Nos. 9, 10, and 11 are used to analyze income and expense. The instructions given here for their completion are related to the bookkeeping system explained in Part I.

ANALYSIS OF INCOME

The first fiscal information to be examined is income, and Worksheet No. 9 has been designed to report the following major categories:

1. **Fees and Direct Payments:** revenue earned through direct services to clients
2. **Other Revenue:** all other revenue from income-earning efforts such as sales, interest, and the like
3. **Imputed Income:** in-kind support from volunteer services and noncash donations
4. **Revenue from Governmental Sources:** all monies received through city, county, state, and federal grants and contracts

5. **Contributions:** unearned income from voluntary contributors

6. **Received from Parent Organization/Central Agency:** all monies received from the parent organization or central agency to support the day care center; often titled "Appropriations"

These six categories differentiate between earned and unearned income and subdivide support into voluntary contributions, appropriations, and in-kind support.

INSTRUCTIONS FOR COMPLETING WORKSHEET NO. 9

Income Sources

The balance from the general ledger account is the closing balance at the end of the reporting period *less* the opening balance at the beginning of the same reporting period.

1. *Fees and Direct Payments*
   a) Enter the balance from Acct. #4110
   b) Enter the balance from Acct. #4120
   c) Enter the balance from Acct. #4130
   d) Enter the balance from Acct. #4140
   e) Enter the balance from Acct. #4150

   Total: Enter the total of 1a) through e) above

2. *Other Revenue*
   a) Enter the balance from Acct. #4210
   b) Enter the balance from Acct. #4220
   c) Enter the balance from Acct. #4230
   d) Enter the balance from Acct. #4240
   e) Enter the balance from Acct. #4250

   Total: Enter the total of 2a) through e) above

3. *Imputed Income*
   a) Enter the total from Worksheet No. 4, column 9, line 33.
   b) Enter the total from Worksheet No. 5, page 2, column F, line 35.

   Total: Enter the total of 3a) and b) above

4. *Revenue from Governmental Sources*
   Enter the total of the balances from Acct. #4410 and #4420

5. *Contributions*
   a) Enter the balance from Acct. #4510
   b) Enter the balance from Acct. #4511
   c) Enter the balance from Acct. #4520

   Total: Enter the total of 5a) through c) above

Center Name_____ Reporting Period

From_____ to_____

INCOME SOURCES – WORKSHEET NO. 9

1. Fees and Direct Payments			
a) Tuition	_____		
b) Registration	_____		
c) Special Fees	_____		
d) Transportation	_____		
e) Other	_____		
TOTAL		$_____	____%
2. Other Revenue			
a) Memberships	_____		
b) Sales and Special Events	_____		
c) Interest	_____		
d) Income from Investments and Royalties	_____		
e) Gain on Sale of Assets	_____		
TOTAL		$_____	____%
3. Imputed Income			
a) Services	_____		
b) Noncash Donations	_____		
TOTAL		$_____	____%
4. Revenue from Governmental Sources		$_____	____%
5. Contributions			
a) Individuals, Businesses and Nonbusiness organizations - Unrestricted	_____		
b) Individuals, Businesses and Nonbusiness organizations - Restricted	_____		
c) Federated Fund-Raising Campaigns	_____		
TOTAL		$_____	____%
6. Support from Parent Organization/Central Agency		$_____	____%
TOTAL INCOME		$_____	100%

6. *Support from Parent Organization/Central Agency*
   Enter the balance from Acct. #4610

   Total Income: Enter the totals of 1 through 6

Calculate the percentage each major source total is of total income and enter on appropriate lines.

ANALYSIS OF EXPENSE

Expense should first be analyzed by line-item using Worksheet No. 10. When this has been completed, use Worksheet No. 11 to analyze expense by functional category.

INSTRUCTIONS FOR COMPLETING WORKSHEET NO. 10

Operating Expenses

The balance from the general ledger account is the closing balance at the end of the reporting period *less* the opening balance at the beginning of the same reporting period.

1. **Personnel**
   a) Enter the balance from Acct. #5100
   b) Enter the balance from Acct. #5101
   c) Enter the balance from Acct. #5102
   d) Enter the balance from Acct. #5103
   e) Enter the balance from Acct. #5104
   f) Enter the balance from Acct. #5105
   g) Enter the balance from Acct. #5106

   Total: Enter the total of 1a) through g) above

2. **Special Fees**
   a) Enter the total of the balances from Acct. #'s 5200-1, 5200-3, 5200-4, 5200-5, and 5200-6.

   b)
      1) Enter the balance from Acct. #5201-2
      2) Enter the balance from Acct. #5201-5
      3) Enter the balance from Acct. #5201-8

   c)
      1) Enter the balance from Acct. #5202-3
      2) Enter the balance from Acct. #5203-3

   Total: Enter the total of 2a) through c) above

Center Name _____ Reporting Period

From _____ to _____

OPERATING EXPENSES – WORKSHEET NO. 10

Page 1

1. Personnel

a) Salaries ..... _____
b) Other Compensation ..... _____
c) Employee Benefits ..... _____
d) Payroll Taxes ..... _____
e) Overtime Meals ..... _____
f) Workmen's Compensation Insurance ..... _____
g) Bonding Insurance ..... _____
TOTAL ..... $_____ ____%

2. Special Fees

a) Professional Fees ..... _____
b) Contracted Services:
(1) Maintenance ..... _____
(2) Catering food ..... _____
(3) Transportation (portal-to-portal **only**) ..... _____
c) Field Trips:
(1) Contracted field trip transportation **only** ..... _____
(2) Admission fees ..... _____
TOTAL ..... $_____ ____%

3. Supplies

a) Office ..... _____
b) Housekeeping ..... _____
c) Teaching and Child Care ..... _____
d) Food Service ..... _____
e) Health ..... _____
f) Vehicle ..... _____
TOTAL ..... $_____ ____%

4. Facilities

a) Rent of Space:
(1) Center ..... _____
(2) Garage (for center vehicles) ..... _____
b) Real Estate Taxes:
(1) Center ..... _____
(2) Garage ..... _____
c) Utilities ..... _____
d) Building Repairs:
(1) Center ..... _____
(2) Garage ..... _____
e) Care of Buildings and Grounds ..... _____
f) Building Insurance:
(1) Center ..... _____
(2) Garage ..... _____
g) Depreciation on Buildings and on Building Improvements:
(1) Center ..... _____
(2) Garage ..... _____
h) Amortization of Leasehold Improvements:
(1) Center ..... _____
(2) Garage ..... _____
TOTAL ..... $_____ ____%

Center Name _____ Reporting Period

From _____ to _____

WORKSHEET NO. 10

Page 2

5. Conferences, Workshops, and Special Events

a) Parent Education _____
b) Staff Development _____
c) Other _____
TOTAL ..... $_____ ____%

6. Furniture and Equipment

a) Depreciation:
(1) Office Furniture and Equipment _____
(2) Building Equipment _____
(3) Teaching and Child Care Furniture and Equipment _____
(4) Kitchen Equipment _____
(5) Vehicles _____
b) Rentals:
(1) Office Furniture and Equipment _____
(2) Building Equipment _____
(3) Teaching and Child Care Furniture and Equipment _____
(4) Kitchen Equipment _____
(5) Vehicles _____
c) Repairs:
(1) Office Furniture and Equipment _____
(2) Building Equipment _____
(3) Teaching and Child Care Furniture and Equipment _____
(4) Kitchen Equipment _____
(5) Vehicles _____
TOTAL ..... $_____ ____%

7. Other

a) Advertising _____
b) Bank Charges _____
c) Communications: _____
(1) Telephone and Telegraph _____
(2) Postage and Mailing _____
d) Contributions _____
e) Insurance _____
f) Licenses and Permits _____
g) Memberships _____
h) Miscellaneous _____
i) Moving Expenses _____
j) Taxes (other than real estate and payroll) _____
k) Uncollectible Accounts _____
TOTAL ..... $_____ ____%

8. Nonoperational

a) Interest _____
b) Loss on Sale of Assets and Investments _____
c) Loss Due to Theft or Vandalism _____
d) Other _____
TOTAL ..... $_____ ____%

9. Imputed Expense

a) Services _____
b) Equipment _____
c) Supplies _____
d) Other _____
TOTAL ..... $_____ ____%

10. Indirect Administrative Expense ..... $_____ ____%

TOTAL EXPENSES ..... $_____ 100%

3. **Supplies**
   a) Enter the balance from Acct. #5300-1
   b) Enter the balance from Acct. #5300-2
   c) Enter the balance from Acct. #5300-3
   d) Enter the balance from Acct. #5300-5
   e) Enter the balance from Acct. #5300-6
   f) Enter the balance from Acct. #5300-8

   Total: Enter the total of 3a) through f) above

4. **Facilities**
   a)
      1) Enter the balance from Acct. #5400-2
      2) Enter the balance from Acct. #5400-8

   b)
      1) Enter the balance from Acct. #5401-2
      2) Enter the balance from Acct. #5401-8

   c) Enter the balance from Acct. #5402-2

   d)
      1) Enter the balance from Acct. #5403-2
      2) Enter the balance from Acct. #5403-8

   e) Enter the balance from Acct. #5404-2

   f)
      1) Enter the balance from Acct. #5405-2
      2) Enter the balance from Acct. #5405-8

   g)
      1) Enter the balance from Acct. #5406-2
      2) Enter the balance from Acct. #5406-8

   h)
      1) Enter the balance from Acct. #5407-2
      2) Enter the balance from Acct. #5407-8

   Total: Enter the total of 4a) through h) above

5. **Conferences, Workshops, and Special Events**
   a) Enter the balance from Acct. #5500-4
   b) Enter the balance from Acct. #5500-7
   c) Enter the balance from Acct. #5500-1

   Total: Enter the total of 5a) through c) above

6. **Furniture and Equipment**

a)

1) Enter the balance from Acct. #5600-1
2) Enter the balance from Acct. #5600-2
3) Enter the balance from Acct. #5600-3
4) Enter the balance from Acct. #5600-5
5) Enter the balance from Acct. #5600-8

b)

1) Enter the balance from Acct. #5601-1
2) Enter the balance from Acct. #5601-2
3) Enter the balance from Acct. #5601-3
4) Enter the balance from Acct. #5601-5
5) Enter the balance from Acct. #5601-8

c)

1) Enter the balance from Acct. #5602-1
2) Enter the balance from Acct. #5602-2
3) Enter the balance from Acct. #5602-3
4) Enter the balance from Acct. #5602-5
5) Enter the balance from Acct. #5602-8

Total: Enter the total of 6a) through c) above

7. **Other**

a) Enter the balance from Acct. #5700-1
b) Enter the balance from Acct. #5701-1

c)

1) Enter the balance from Acct. #5702-1
2) Enter the balance from Acct. #5703-1

d) Enter the balance from Acct. #5704-1
e) Enter the balance from Acct. #5705-8 and Other
f) Enter the balance from Acct. #'s 5706-2, 5706-6, 5706-8
g) Enter the balance from Acct. #5707-1
h) Enter the balance from Acct. #5708-1
i) Enter the balance from Acct. #5709-1
j) Enter the balance from Acct. #5710-1 and 5711-1
k) Enter the balance from Acct. #5712-1

Total: Enter the total of 7a) through k) above

8. **Nonoperational**
   a) Enter the balance from Acct. #5800-1
   b) Enter the balance from Acct. #5801-1
   c) Enter the balance from Acct. #5802-1
   d) Enter the balance from Acct. #5803-1

   Total: Enter the total of 8a) through d) above

9. **Imputed Expenses**
   a) Enter the total from Worksheet No. 4, column 9, line 33
   b) Enter the total from Worksheet No. 5, page 1, column H, line 17
   c) Enter the total from Worksheet No. 5, page 1, column H, line 40
   d) Enter the total from Worksheet No. 5, page 2, column H, line 34

   Total: Enter the total of 9a) through d) above

10. **Indirect Administrative Expense**
    Enter the balance from Acct. #6000-1

    Total Expenses: Enter the total of 1 through 10 above.

Calculate the percentage each major source total is of total expense and enter on appropriate line.

INSTRUCTIONS FOR COMPLETING WORKSHEET NO. 11
Analysis of Functional Expenditure

The amount from the general ledger account is the closing balance at the end of the reporting period *less* the opening balance at the beginning of the same reporting period.

Line 1–Personnel

Enter in the appropriate columns the amount shown on Worksheet No. 7, line 33, columns 1 through 9.

Line 2–Special Fees

Enter in:

Column 1 the amount from Acct. #5200-1
Column 2 the amount from Acct. #5201-2
Column 3 the total of the amounts from Acct. #'s 5200-3, 5202-3, and 5203-3
Column 4 the amount from Acct. #5200-4
Column 5 the total of the amounts from Acct. #'s 5200-5 and 5201-5
Column 6 the amount from Acct. #5200-6
Column 8 the amount from Acct. #5200-8
Column 9 the total of the above amounts

Center Name _____ Reporting Period from _____ to _____

ANALYSIS OF FUNCTIONAL EXPENDITURE – WORKSHEET NO. 11

	FUNCTIONAL CATEGORIES								
OPERATING EXPENSES	1 Administration	2 Occupancy	3 Teaching and Child Care	4 Parent Education and Counseling	5 Food Service	6 Health Service	7 Staff Development	8 Transportation	9 TOTAL
1. Personnel	$	$	$	$	$	$	$	$	$
2. Special Fees									
3. Supplies									
4. Facilities									
5. Conferences, Workshops & Special Events									
6. Furniture & Equipment									
7. Other									
8. Nonoperational									
9. SUBTOTAL (a)									
10. Imputed Expense (a)									
11. Services									
12. Equipment									
13. Supplies									
14. Other									
15. Indirect Administrative Expense									
16. TOTAL EXPENDITURE (a)	$	$	$	$	$	$	$	$	$
17. Percent of Man-hours by Function	%		%	%	%	%	%		
18. Distribution of Occupancy Expense	$	$ < >	$	$	$	$	$		
19. SUBTOTAL	$		$	$	$	$	$	$	$
20. Percent Function Expense is of Functions 3-8			%	%	%	%	%	%	
21. Distribution of Administration Expense	$ < >		$	$	$	$	$	$	
22. TOTAL EXPENDITURE BY FUNCTION			$	$	$	$	$	$	$

Sources: Lines 1-8: General Ledger Expense Accounts.
Line 11: Worksheet No. 4.
Lines 12-14: Worksheet No. 5.
Line 15: General Ledger Expense Account.
Line 17: Worksheet No. 6, Line 36.

Transfer Step: (a) Transfer these totals to Worksheet No. 12.

Line 3—Supplies
Enter in:

Column 1 the amount from Acct. #5300-1
Column 2 the amount from Acct. #5300-2
Column 3 the amount from Acct. #5300-3
Column 5 the amount from Acct. #5300-5
Column 6 the amount from Acct. #5300-6
Column 8 the amount from Acct. #5300-8
Column 9 the total of the above amounts

Line 4—Facilities
Enter in column 2 the total of amounts from all the 5400-2 series, All Facilities—*Center* Accounts.
Column 8 the total of the amounts from all the 5400-8 series, All Facilities—*Garage* Accounts.
Column 9 the total of the above amounts

Line 5—Conferences, Workshops, and Special Events
Enter in:

Column 1 the amount from Acct. #5500-1
Column 4 the amount from Acct. #5500-4
Column 7 the amount from Acct. #5500-7
Column 9 the total of the above amounts

Line 6—Furniture & Equipment
Enter in:

Column 1 the total of amounts from Acct. #'s 5600-1, 5601-1 and 5602-1
Column 2 the total of amounts from Acct. #'s 5600-2, 5601-2 and 5602-2
Column 3 the total of amounts from Acct. #'s 5600-3, 5601-3 and 5602-3
Column 5 the total of amounts from Acct. #'s 5600-5, 5601-5 and 5602-5
Column 8 the total of amounts from Acct. #'s 5600-8, 5601-8 and 5602-8
Column 9 the total of the above amounts

Line 7—Other
Enter in column 1 the total of the amounts from all the 5700-1 Series
Column 2 the amount from Acct. #5706-2
Column 6 the amount from Acct. #5706-6
Column 8 the total of the amounts from Accts. #'s 5705-8 and 5706-8
Column 9 the total of the above amounts

Line 8—Nonoperational
Enter in column 1 the total of the amounts from the 5800-1 all Nonoperational Expense Accounts.
Column 9 the same total as in column 1 above

Line 9–Subtotal

(1) Add amounts in each column and enter total on line 9.

(2) Check that the subtotal in column 9 equals the total of the subtotals from columns 1 through 8.

Line 10–Imputed Expense

After completing lines 11, 12, 13, 14, and 15 enter the totals of these lines in the appropriate columns on line 10.

Line 11–Services

Using as source Worksheet No. 4, enter in:
Column 1 the grand total from column 1 line 33
Column 2 the grand total from column 2 line 33
Column 3 the grand total from column 3 line 33
Column 4 the grand total from column 4 line 33
Column 5 the grand total from column 5 line 33
Column 6 the grand total from column 6 line 33
Column 7 the grand total from column 7 line 33
Column 8 the grand total from column 8 line 33
Column 9 the grand total from column 9 line 33

Line 12–Equipment

Using as source Worksheet No. 5, page 1, enter in:
Column 1 the amount from Functional Expense–Administration, line 7
Column 2 the amount from Functional Expense–Occupancy, line 8
Column 3 the amount from Functional Expense–Teaching and Child Care, line 9
Column 5 the amount from Functional Expense–Food Service, line 10
Column 8 the amount from Functional Expense–Transportation, line 11
Column 9 the amount from Functional Expense–Column H, line 17

Line 13–Supplies

Using as source Worksheet No. 5, page 1, enter in:
Column 1 the amount from Functional Expense–Administration, line 29
Column 2 the amount from Functional Expense–Occupancy, line 30
Column 3 the amount from Functional Expense–Teaching and Child Care, line 31
Column 5 the amount from Functional Expense–Food Service, line 32
Column 6 the amount from Functional Expense–Health Service, line 33
Column 8 the amount from Functional Expense–Transportation, line 34
Column 9 the amount from Functional Expense–Column 11, line 40

Line 14—Other

Using as source Worksheet No. 5, page 2, enter in:
Column 1 the amount from Functional Expense—Administration, line 7
Column 2 the amount from Functional Expense—Occupancy, line 24
Column 9 the amount from Functional Expense—Column H, line 34

Line 15—Indirect Administrative Expense

Enter in:
Column 1 the amount from Acct. #6000-1
Column 9 the same amount

Line 16—Total Expenditure

(1) Add amounts in each column lines 9 and 10, and enter totals on line 16.
(2) Check that the total for column 9 equals the total of the totals from columns 1 through 8.
(3) Total of column 9 should equal total expense shown on Worksheet No. 10.

Line 17—Percent of Man-Hours By Function

Using Worksheet No. 6, section titled "Computation of Percentages to be Used in Distribution of Occupancy Expense" as the source, enter in:
Column 1 the percent from column 1
Column 3 the percent from column 3
Column 4 the percent from column 4
Column 5 the percent from column 5
Column 6 the percent from column 6
Column 7 the percent from column 7

Line 18—Distribution of Occupancy Expense

Enter in:
Column 1 (% column 1, line 17 x (times) $ amount from column 2, line 16)
Column 2 $ amount from column 2 line 16 as $ < >
Column 3 (% column 3, line 17 x $ amount from column 2, line 16)
Column 4 (% column 4, line 17 x $ amount from column 2, line 16)
Column 5 (% column 5, line 17 x $ amount from column 2, line 16)
Column 6 (% column 6, line 17 x $ amount from column 2, line 16)
Column 7 (% column 7, line 17 x $ amount from column 2, line 16)

Line 19—Subtotal

(1) Add amounts in columns (1 and 3 through 9) lines 16 through 18 and enter totals on line 19.
(2) Check that the subtotal for column 9 equals the total of the subtotals for columns 1 through 8.

Line 20—Percent Function Expense is of Functions 3 through 8

Enter in:

Column 3 $\left(\frac{\text{\$ amount, column 3, line 19}}{\text{Total \$ amount, columns 3 through 8, line 19}} \times 100\right)\%$

Column 4 $\left(\frac{\text{\$ amount, column 4, line 19}}{\text{Total \$ amount, columns 3 through 8, line 19}} \times 100\right)\%$

Column 5 $\left(\frac{\text{\$ amount, column 5, line 19}}{\text{Total \$ amount, columns 3 through 8, line 19}} \times 100\right)\%$

Column 6 $\left(\frac{\text{\$ amount, column 6, line 19}}{\text{Total \$ amount, columns 3 through 8, line 19}} \times 100\right)\%$

Column 7 $\left(\frac{\text{\$ amount, column 7, line 19}}{\text{Total \$ amount, columns 3 through 8, line 19}} \times 100\right)\%$

Column 8 $\left(\frac{\text{\$ amount, column 8, line 19}}{\text{Total \$ amount, columns 3 through 8, line 19}} \times 100\right)\%$

Line 21—Distribution of Administration Expense

Enter in:

Column 1 $ amount from column 1, line 19 as $ < >

Column 3 (% column 3, line 20 x $ amount from column 1, line 19)

Column 4 (% column 4, line 20 x $ amount from column 1, line 19)

Column 5 (% column 5, line 20 x $ amount from column 1, line 19)

Column 6 (% column 6, line 20 x $ amount from column 1, line 19)

Column 7 (% column 7, line 20 x $ amount from column 1, line 19)

Column 8 (% column 8, line 20 x $ amount from column 1, line 19)

Line 22—Total Expenditure By Function

(1) Add amounts in columns 3 through 9, lines 19 through 21, and enter totals on line 22.

(2) Check that the total of column 9 equals the total of the totals for columns 3 through 8.

Illustration 8 is an example of a completed functional analysis.

Center Name: ABC Day Care Cent...

Reporting Period from 1/1/72 to 12/31/72

ILLUSTRATION 8

ANALYSIS OF FUNCTIONAL EXPENDITURE – WORKSHEET NO. 11

	FUNCTIONAL CATEGORIES								
OPERATING EXPENSES	1 Administration	2 Occupancy	3 Teaching and Child Care	4 Parent Education and Counseling	5 Food Service	6 Health Service	7 Staff Development	8 Transportation	9 TOTAL
1. Personnel	$ 8,500	$ 1,000	$16,900	$ 1,000	$ 1,000	$ –0–	$ 500	$ –0–	$28,900
2. Special Fees	100	–0–	–0–	–0–	–0–	1,400		2,000	3,500
3. Supplies	100	200	500		800	–0–		–0–	1,600
4. Facilities		6,600						–0–	6,600
5. Conferences, Workshops & Special Events	100			50			150		300
6. Furniture & Equipment	375	150	75		150			–0–	750
7. Other	350	–0–				–0–		–0–	350
8. Nonoperational	–0–								–0–
9. SUBTOTAL (a)	9,525	7,950	17,475	1,050	1,950	1,400	650	2,000	42,000
10. Imputed Expense (a)	–0–	–0–	3,000	–0–	1,000	–0–	–0–	–0–	4,000
11. Services	–0–	–0–	3,000	–0–	200	–0–	–0–	–0–	3,200
12. Equipment	–0–	–0–	–0–		–0–			–0–	–0–
13. Supplies	–0–	–0–	–0–		800	–0–		–0–	800
14. Other	–0–	–0–							–0–
15. Indirect Administrative Expense	2,000								2,000
16. TOTAL EXPENDITURE (a)	$11,525	$ 7,950	$20,475	$ 1,050	$ 2,950	$ 1,400	$ 650	$ 2,000	$48,000
17. Percent of man-hours by function	21.5%		65.0%	2.5%	8.5%	–0–%	2.5%		
18. Distribution of occupancy expense	$ 1,709	$<7,950>	$ 5,167	$ 199	$ 676	$ –0–	$ 199		
19. SUBTOTAL	$13,234		$25,642	$ 1,249	$ 3,626	$ 1,400	$ 849	$ 2,000	$48,000
20. Percent Functional expense is of Functions 3-8			73.8%	3.6%	10.4%	4.0%	2.4%	5.8%	
21. Distribution of Administration expense	$<13,234>		$ 9,767	$ 476	$ 1,376	$ 529	$ 318	$ 768	
22. TOTAL EXPENDITURE BY FUNCTION			$35,409	$ 1,725	$ 5,002	$ 1,929	$ 1,167	$ 2,768	$48,000

Sources:

Lines 1-8: General Ledger Expense ...

Line 11: Worksheet No. 4.

Lines 12-14: Worksheet No. 5.

Line 15: General Ledger Expense A...nt.

Line 17: Worksheet No. 6, Line 36.

Transfer Step: (a) Trans... totals to W... 12.

COST PER CHILD-HOUR OF SERVICE

INSTRUCTIONS FOR COMPLETING WORKSHEET NO. 12
Day Care Costs By Service Function

(1) Opposite each service function in the first column enter the totals from Worksheet No. 11, line 9.

(2) Opposite each service function in the third column enter the totals from Worksheet No. 11, line 10.

(3) Opposite each service function in the fifth column enter the totals from Worksheet No. 11, line 16.

(4) Enter the total number of actual child-hours of service for the reporting period using Worksheet No. 8.

(5) Divide each total in column 1 by the number of child-hours of service and enter the results in column 2 using the appropriate lines. Repeat for column 3 using column 4 and for column 5 using column 6.

To make comparisons between cost per child-hour of service based on actual attendance and cost based on licensed capacity, repeat step (5) above using the total capacity hours taken from Worksheet No. 8.

The cost per child-year is based on 2,000 hours of service per year (8 hours per day x 5 days per week x 50 weeks per year). Therefore, each center would calculate its cost per child-year by multiplying 2,000 hours by the cost per child-hour of service.

Center Name _____

Reporting Period
From _____ to _____

DAY CARE COSTS BY SERVICE FUNCTIONS – WORKSHEET NO. 12

SERVICE FUNCTION	COST BEFORE IMPUTED EXPENSE		IMPUTED EXPENSE		TOTAL COST	
	Per Function (a)	Per Child-Hour of Service	Per Function (a)	Per Child-Hour of Service	Per Function (a)	Per Child-Hour of Service
1. Administration	$	$	$	$	$	$
2. Occupancy						
3. Teaching & Child Care						
4. Parent Education & Counseling						
5. Food Service						
6. Health Service						
7. Staff Development						
8. Transportation						
9. Total	$	$	$	$	$	$

(a) Source: Worksheet No. 11.

(b) Source: Worksheet No. 8

Total number of Child-hours of Service (b) _____

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APPENDIX 1

CHART OF ACCOUNTS

The chart of accounts in this *Manual* is broken down into three major categories:

I. Income Accounts
II. Expense Accounts
III. Assets, Liabilities, and Equity Accounts

Categories I and II serve as the source material for Worksheets Nos. 9, 10, and 11 of the cost analysis and for the financial statements described in Appendix 9. Category III serves as the source material for the balance sheet statement in Appendix 9.

A five digit coding system is used, with the first digit denoting the type of account:

1	Assets
2	Liabilities
3	Equity
4	Income
5	Expense

The second digit denotes the major income and expense categories:

41	Fees and Direct Payments (income)
51	Personnel (expense)

The third and fourth digits are used to break down the major income and expense categories:

4110	Tuition (income)
5102	Personnel-Employee Benefits (expense)

The fifth and last digit is used only in the *expense* accounts and denotes the functional service:

-1	Administration
-2	Occupancy
-3	Teaching and Child Care
-4	Parent Education and Counseling
-5	Food Service
-6	Health Service
-7	Staff Development
-8	Transportation

5300-1 Supplies-Office (Administration expense)

This coding system provides a means of accumulating expenses both by line-item and by function.

Definitions are given for each account in the chart of accounts. All centers will probably use most of the major income and expense categories. However, each account within the major categories will not be used by all centers. For example, every center will have Personnel Expense, but most centers will use only two accounts–Salaries and Payroll Taxes–of the seven accounts listed under Personnel.

I. INCOME ACCOUNTS

A/C 4110–4610

The income accounts are arranged by major categories in the order in which they appear on Worksheet No. 9. Each possible source of income has been regrouped under the major categories to facilitate line-item analysis of income and of what goes into each major source of income. The subdivision of each category enables income to be reported as "unrestricted income" and as "restricted income" where this is required or desirable. This separation is defined as follows:

Unrestricted as to use of funds: the amount of cash contributions to the agency that is available for general operating expenses

Restricted as to use of funds: the amount of cash contributions designated by donors to be used for specific purposes.

It is to be noted that restricted income is most likely to come from individuals, businesses, and nonbusiness organizations.

This *Manual* requires that revenues from governmental sources be reported in total, that is, without specific reference to source. However, the chart of accounts offers two accounts for recording such income by specific type (4410 and 4420) where this is required or necessary for a center's records.

FEES AND DIRECT PAYMENTS

4110 **Tuition:** Amounts paid or owed by parents, guardians, and sponsors to a center for child care service. Tuition for offspring enrolled in the day care center during the reporting period that is deducted from the gross salary of an employee is also included here.

4120 **Registration.** Payments that are not a part of normal tuition charges but which are paid or owed for the right of registration.

4130 **Special Fees:** Special payments or assessments paid or owed to the center by clients for parties, music lessons, dancing lessons, and field trips which would include admission fees and related transportation.

4140 **Transportation:** Payments paid or owed to the center by clients for portal-to-portal transportation or by others contracting for the center's transportation services.

4150 **Other:** To be used only when a particular revenue paid or owed to the center cannot logically be assigned to any of the preceding accounts.

OTHER REVENUE

4210 **Memberships**: Fees paid or owed to the center by individuals and agencies for benefits such as the right to vote on a board, to receive publications and services, or to use facilities.

4220 **Sales and Special Events**: Revenue received or owed from sales of goods such as educational materials, books, pamphlets, supplies, cookies, taffy apples, rummage sales, etc., and income from special events such as fashion shows, theater productions, dinner-dances, etc. When funds collected are to be used by the center subsequent to the reporting period, they should be entered in a balance sheet account designated as "Deferred Income."

4230 **Interest**: Income received or receivable from deposited funds, loans, or bonds.

4240 **Income from Investments and Royalties**: Includes dividends from securities, distributions of earnings, royalties from copyrights and patents, and revenue from rental or leasing of properties, owed to or received by the center.

4250 **Gain on Sale of Assets**: When land, buildings, motor vehicles, equipment and other property such as stocks, bonds, and securities are sold, it is necessary to calculate the gain or loss thereon. To calculate this amount, determine the book value (depreciated value, if any) of the asset sold and subtract that amount from the proceeds of the sale. If the proceeds exceed the book value, report the difference (gain) here. If the book value exceeds the proceeds, report the difference (loss) under "Nonoperational Expenses."

4300 This series can be used for other income sources not shown in this chart of accounts.

REVENUE FROM GOVERNMENTAL SOURCES

All revenue paid or owed to the center by governmental sources. Includes grants-in-aid from city, county, state, and federal governmental bodies, purchase-of-service fees, and grants for individual children from courts or governmental agencies.

4410 **Grant-in-Aid**

4420 **Purchase-of-Service**

CONTRIBUTIONS

4510 **Individuals, Businesses, and Nonbusiness Organizations-Unrestricted**: Cash donations unrestricted as to use including tag days, funds gathered by volunteers making house calls, legacies, memorials, bequests, and income from foundations, trusts and scholarships, whether given or promised to be given (i.e., a pledge) through a voluntary act or as a result of direct solicitation such as income from requests for special program funding from such organizations as the Ford Foundation, the Wieboldt Foundation, or the Woods Charitable Foundation.

When a clear obligation has been incurred to pay for a service and the creditor has declared that all or a portion of the fee for the service rendered will be retained by the center as a contribution, allocate the contribution to this line. For example, if an accounting firm (or any other firm giving a service to the center) bills the center

$1,000 for its services and then says "only pay us $500, the rest is on us," record $500 under "Cash-Unrestricted," charge $1,000 to accounting expenses, and record $500 under contributions.

Monies received for use by the center subsequent to the current reporting period should be entered in a balance sheet account designated as "Deferred Income."

4511 **Individuals, Businesses, and Nonbusiness Organizations-Restricted**: Cash donations restricted as to use from any of the sources mentioned under 4510.

An example of restricted use would be cash donations for which the donor has stipulated that the principal sum must remain intact and be used for investment purposes only. (Such contributions should ultimately be carried in a balance sheet account titled "Marketable Securities-Restricted.")

4520 **Federated Fund-Raising Campaigns**: Funds received or receivable through participating in federated fund-raising campaigns, such as the United Fund or Community Chest.

SUPPORT FROM PARENT ORGANIZATION/CENTRAL AGENCY

4610 **Support from Parent Organization/Central Agency**: All monies received or due from the parent organization/central agency.

II. EXPENSE ACCOUNTS

A/C 5100–7000

The primary purpose of this expense accounts section of the chart of accounts is to assist day care centers in allocating expenditures to specific service functions. This means that expenditures should not only be identified by "line item" (major expense category such as personnel, facilities, supplies, etc.) but also by the function (Administration, Teaching and Child Care, Food, etc.) to which it is related. As mentioned in the introductory remarks to the chart of accounts, the last digit of the coding system refers to the service function, and this section of the code is again repeated here:

-1 Administration
-2 Occupancy
-3 Teaching and Child Care
-4 Parent Education and Counseling
-5 Food Service
-6 Health Service
-7 Staff Development
-8 Transportation

The expense accounts have been arranged into eight major line-item categories with breakdowns by service function where applicable or by the components of the line-item expenditure. For example, the *personnel* category is broken down into seven areas of personnel cost such as salaries, payroll taxes, employee benefits, etc., the *supplies* category is broken down by service function, and the *facilities* category has a breakdown by elements of cost (rent, utilities, etc.) as well as by service function (Occupancy and Transportation). This system makes all the financial data required for cost analysis readily available with a minimum of effort.

PERSONNEL

5100 **Salaries:** Total gross salaries and wages paid or owed by a center or agency to regular employees (full-time or part-time) and to temporary employees, other than consultants and others engaged on an individual basis. This will also include payment for sick leave, vacation, holidays, and termination of employment.

5101 **Other Compensation:** Amounts paid or owed in lieu of salary such as grants to students in training in the center or agency, and grants to staff members on specially approved leave of absence.

5102 **Employee Benefits:** Amounts paid or owed by the agency or center for employee health, retirement, and other benefit plans. Also, include the cost of any informal payments for retirement. *Do not* include employee contributions or payments.

5103 **Payroll Taxes:** Amounts paid or owed by the agency or center for employer's portion of social security taxes under the Federal Insurance Contributions Act, unemployment taxes, and any other tax expense payable by employers under federal, state, or local laws.

5104 **Overtime Meals:** Meals for staff authorized and paid for by the center on behalf of staff who work beyond regular working hours on center's business.

5105 **Workmen's Compensation Insurance:** Premiums paid or owed for workmen's compensation insurance for center staff only.

5106 **Bonding Insurance:** Premiums paid or owed by the agency or center on insurance for protection against fraudulent or dishonest acts by officers and employees.

SPECIAL FEES

Professional Fees: All fees and expenses paid or owed for certified professional practitioners, consultants, and others who are not employees of the day care center and who are engaged as independent contractors for specified services on a retainer fee or on an individual contract basis.

5200-1 **Professional Fees-Administration:** Audit, legal, program planning, public relations, and other administrative services.

5200-3 **Professional Fees-Teaching and Child Care:** Therapeutic, psychological, psychiatric, and other teaching and child care services.

5200-4 **Professional Fees-Parent Education and Counseling:** Special instructors and speakers for parent education services.

5200-5 **Professional Fees-Food Service:** Dieticians and nutritionists.

5200-6 **Professional Fees-Health Service:** Medical and dental services.

5201-2 **Contracted Services-Maintenance:** Building maintenance.

5201-5 **Contracted Services-Catering Food**

5201-8 **Contracted Services-Transportation – Portal-to-Portal:** If a center contracts for transportation service and this service covers both portal-to-portal and field trip service, allocation of cost should be made on the basis of mileage driven for each.

5202-3 **Field Trips-Contracted Transportation Only**: If a center contracts for transportation service and this service covers both portal-to-portal and field trip service, allocation of cost should be made on the basis of mileage driven for each.

5203-3 **Field Trips-Admission Fees**: Admission fees paid to zoos, museums, historical landmarks, and the like. Also includes fees paid for swimming privileges, etc.

SUPPLIES

Consumable as contrasted to long-term use.

5300-1 **Office**: Includes amounts paid or owed for stationery, paper, ink, duplicating materials, pencils, pens, typewriter ribbons, etc., and reports and books for program planning.

5300-2 **Housekeeping**: Includes amounts paid or owed for janitorial supplies such as soap and other cleanup supplies, linen, electric light bulbs, shovels, rakes, mowers, snow blowers, hammers, and other tools.

5300-3 **Teaching and Child Care**: Amounts paid or owed for items used by or on behalf of the students (clients) such as pens, pencils, crayons, paints, art paper, scissors, paste, games, toys, puzzles, books, Montessori materials, Peabody Kits, etc., reference works and subscriptions to magazines and professional journals purchased for and used by staff members. If unable to differentiate between educational supplies and materials and office supplies, then the cost of such supplies should be allocated on a percent of usage basis.

5300-5 **Food Service Supplies**: Amounts paid or owed for food, food supplies, and kitchen supplies such as pots, pans, dishes, etc.

5300-6 **Health Supplies**: Amounts paid or owed for bandages, antiseptics, aspirin, first-aid kits, etc.

5300-8 **Vehicle Supplies**: Amounts paid or owed for gas, oil, greases, washes, winterizing, and other miscellaneous items such as parts that do not extend the useful life of the vehicle.

FACILITIES

5400-2 **Rent of Space-Center**: Rent paid or owed by a center or agency for the use of space. If rent includes garage space for center vehicles, the cost of rent must be allocated on the basis of square footage. Use this account for center allocation.

5400-8 **Rent of Space-Garage**: Amount of garage allocation.

5401-2 **Real Estate Taxes-Center**: Taxes levied on realty paid or owed by the center or agency. If real estate taxes include garage space for center vehicles, the cost of taxes must be allocated on the basis of square footage. Use this account for center allocation.

5401-8 **Real Estate Taxes-Garage**: Amount of garage allocation.

5402-2 **Utilities**: Amounts paid or owed for electricity, natural gas, water, and other utilities for the reporting period. Do *not* include telephone expenses.

5403-2 **Building Repairs-Center**: The cost of incidental repairs which neither materially add to the value of the property nor appreciably prolong its life, but keep it in ordinarily efficient operating condition, may be reported as repair expense.

Where expenditures incurred prolong the normal useful life, and the cost would *significantly* affect the current and subsequent reporting periods, such expenditures should be "capitalized" i.e., set up on the books as an asset and the cost prorated over the remaining useful life of the original asset.

As a rule of thumb, any expenditure for a building improvement over $500 would be capitalized and any equipment expenditure over $250 would be capitalized.

5403-8 **Building Repairs-Garage**: Amount of incidental repairs to garage.

5404-2 **Care of Buildings and Grounds**: Amounts paid or owed for maintaining fences and parking lots on the property; snow removal; gardening; window-washing; waste and rubbish removal; dry cleaning of draperies, rugs, and furniture; maintenance of furnace and boilers. The salaries paid to regular and part-time employees, however, should be reported under "Personnel-Salaries."

5405-2 **Building Insurance-Center**: All insurance premiums paid or owed that are associated with building occupancy such as fire and extended coverage, wind, burglary, and public liability insurance. If insurance covers both center as well as garage, the cost attributable to each should be allocated as indicated on the insurance policy. If the policy is unavailable, allocation can be made on square footage basis. Use this account for center allocation.

5405-8 **Building Insurance-Garage**: Amount of garage allocation.

5406-2 **Depreciation-Buildings and Building Improvements-Center**: See Appendix 6.

5406-8 **Depreciation-Buildings and Building Improvements-Garage**: See Appendix 6.

5407-2 **Amortization of Leasehold Improvements-Center**: Leasehold improvements, since they revert to the lessor at the termination of the lease, are amortized (prorated) over the life of the lease or the life of the improvement, whichever is shorter. Use this account for center allocation.

5407-8 **Amortization of Leasehold Improvements-Garage**: Amount of garage allocation.

CONFERENCES, WORKSHOPS, AND SPECIAL EVENTS

5500-4 **Parent Education**: Amounts paid or owed for attending or conducting conferences and workshops related directly to parent education. Includes registration fees, honoraria for speakers, meals, lodging, and related travel costs.

5500-7 **Staff Development**: Amounts paid or owed for attending or conducting conferences and workshops related to staff development. Includes registration fees, honoraria for speakers, meals, lodging, and related travel costs.

5500-1 **Other**: Amounts paid or owed for attending or conducting conferences and meetings related to special events, raising funds, advising and involving parents in matters other than direct education, community relations, and those allocable neither to Parent Education nor to Staff Development. Includes registration fees, honoraria for speakers, meals, lodging, and related travel costs.

FURNITURE AND EQUIPMENT

5600-1 **Depreciation-Office Furniture and Equipment:** See Appendix 6.

5600-2 **Depreciation-Building Equipment:** See Appendix 6.

5600-3 **Depreciation-Teaching and Child Care Furniture and Equipment:** See Appendix 6.

5600-5 **Depreciation-Kitchen Equipment:** See Appendix 6.

5600-8 **Depreciation-Vehicles:** See Appendix 6.

5601-1 **Rentals-Office Furniture and Equipment:** Leasing costs paid or owed for furniture and equipment.

5601-2 **Rentals-Building Equipment:** Leasing costs paid or owed for equipment.

5601-3 **Rentals-Teaching and Child Care Furniture and Equipment:** Leasing costs paid or owed for furniture and equipment.

5601-5 **Rentals-Kitchen Equipment:** Leasing costs paid or owed for furniture and equipment.

5601-8 **Rentals-Vehicles:** Leasing costs paid or owed for vehicles and equipment.

Repairs: Amounts paid or owed for incidental repairs which neither materially add to the *value* of the equipment nor appreciably prolong its *life*, but keep it in ordinarily efficient operating condition.

When expenditures incurred prolong the normal useful life, and the cost would *significantly* affect the current and subsequent reporting periods, such expenditures should be "capitalized" and the cost prorated over the remaining useful life of the original asset. As a rule of thumb, any equipment repair expenditure over $250 would be capitalized and would *not* be included here.

5602-1 **Repairs-Office Furniture and Equipment**

5602-2 **Repairs-Building Equipment**

5602-3 **Repairs-Teaching and Child Care Furniture and Equipment**

5602-5 **Repairs-Kitchen Equipment**

5602-8 **Repairs-Vehicles**

OTHER

5700-1 **Advertising:** Amounts paid or owed for dealer cards, window displays, pamphlets and brochures used for advertising or promotion. Amounts paid or owed to magazines, newspapers, tradespapers, radio and television, outdoor advertising (such as billboards), and advertising for job openings.

5701-1 **Bank Charges:** Amounts paid or owed for monthly service charges, check printing, and overdraft charges. *Does not* include interest paid or owed on money borrowed by the center.

5702-1 **Communications-Telephone and Telegraph:** Amounts paid or owed for telephone bills, cost of telegrams, and similar expenses.

5703-1 **Communications-Postage and Mailing:** Amounts paid or owed for postage, parcel post, trucking, and other delivery expenses.

5704-1 **Contributions**: Donations to recognized charities.

5705-8 **Insurance-Vehicles**: Premiums paid or owed for center vehicle insurance.

5705- **Insurance-Other**: Specify nature of this insurance expense. *Do not* use this account for Bonding Insurance, Workmen's Compensation Insurance, or Building Insurance.

5706-2 **Building Permits**

5706-6 **Health Licenses and Permits**

5706-8 **Vehicle Licenses**

5706- **Other Licenses and Permits (Specify)**

5707-1 **Memberships**: Amounts paid or owed for center or individual staff memberships to professional organizations such as the Child Welfare League of America, National Association of Social Workers, American Montessori Society, Association for the Education and Advancement of Young Children, Day Care Child Development Council of America, local confederations of public and private social service agencies, and the like.

5708-1 **Miscellaneous**: Amounts paid or owed to collection agencies, financial aid to clients and others, and any other expenses paid or owed and not logically attributable elsewhere.

5709-1 **Moving Expenses**: Amounts paid or owed for locating or relocating the center or parts of it.

5710-1 **Taxes-Personal Property**: Amounts paid or owed for personal property taxes.

5711-1 **Taxes-Other**: Amounts paid or owed, such as state corporate tax. *Do not* include real estate taxes, payroll taxes and federal corporate tax.

5712-1 **Uncollectible Accounts**: Bad debts arising from uncollectible customers' accounts, as well as unfulfilled pledges, that is, pledges which have not been honored within 90 days after the official closing date of the fund-raising drive, unless special arrangements have been made.

NONOPERATIONAL

5800-1 **Interest**: Interest paid or owed on mortgage payments, on equipment purchases, and on loans.

5801-1 **Loss on Sale of Assets and Investments**: Amount of loss sustained on sale of asset or securities.

5802-1 **Loss Due to Theft or Vandalism**: Amount of loss sustained by theft of equipment, supplies, etc., and by damage to property through vandalism.

5803-1 **Other**: Amounts paid or owed for other nonoperational expenses, such as costs of preparing unsuccessful bids; applications or proposals for potential government and nongovernment contracts; projects or applications for financial assistance other than professional and contract services.

5900 This series can be used for other expense sources not shown in this chart of accounts.

SPECIAL EXPENSE: ACCOUNTS TO BE USED IN SPECIAL SITUATIONS

6000-1 **Indirect Administrative Expense:** Only used when a parent organization/central agency performs bookkeeping, fund-raising, and other administrative duties for or on behalf of its member agencies. The dollar value of these parent organization/central agency services should be determined as follows:

$$\frac{\text{Center's expense}}{\text{All centers expenses}} \times \text{Parent organization/central agency's administration expense} = \text{Center's share of parent organization/central agency expense}$$

7000-1 **Federal Corporate Income Tax:** Used only by corporations.

III. ASSETS, LIABILITIES, AND EQUITY ACCOUNTS

A/C 1010–3050

To facilitate preparation of the balance sheet these assets, liabilities, and equity accounts have been segregated into various categories. Except for two exceptions–Restricted Cash and Restricted Marketable Securities–these accounts appear in the order of their appearance on the balance sheet.

CURRENT ASSETS

1010 **Cash in Bank-Unrestricted:** All monies deposited in a checking account and unrestricted as to their use (includes fees and direct payments for service, unrestricted donations).

1011 **Cash in Bank-Restricted:** All monies deposited in a bank account and restricted as to their use.

1012 **Petty Cash Fund:** Imprest fund used for small, cash expenditures reimbursed at periodic intervals. See Appendix 5.

1020 **Accounts Receivable-Fees and Direct Payments:** Amount due to the center from clients.

1021 **Accounts Receivable-Other Revenue:** Amounts due to the center from memberships, sales and special events, interest, income from investments and royalties, and gain on sale of assets or investments.

1022 **Accounts/Pledges Receivable-Governmental Sources:** Amounts due or promised to the center by governmental sources.

1023 **Accounts/Pledges Receivable-Contributions:** Amounts due or promised to the center by individuals, businesses, and nonbusiness organizations (restricted and unrestricted) and by federated fund-raising campaigns.

1024 **Accounts/Pledges Receivable-Parent Organization/Central Agency:** All monies due from or promised by the parent organization/central agency.

1025 **Notes Receivable:** Amounts due to the center from clients and governmental bodies (excluding pledges) which are evidenced by a formal, negotiable or nonnegotiable note.

1029 **Allowance for Uncollectible Accounts/Pledges:** A provision calculated to reflect estimated accounts, notes receivable, and pledges which may prove to be uncollectible at a future date.

1040 **Mortgage Receivable**: The principal sum due to the center on a mortgage held by the center.

1050 **Supply Inventory**: The cost or market value, whichever is lesser, of significant amount of supplies on hand at the end of the reporting period.

1051 **Supply Inventory-Donated**: The fair market value of significant amount of donated supplies on hand at the end of the reporting period.

1060 **Marketable Securities-Unrestricted**: Those securities purchased by or donated to the center which are not restricted as to their use in any manner.

1061 **Marketable Securities-Restricted**: Those securities purchased by or donated to the center which are restricted as to their use.

1070 **Unexpired Insurance**: The unexpired portion of the cost of all insurance paid for or owed by the center.

1080 **Prepaid Interest**: Unexpired portion of all interest paid or owed by the center.

1081 **Prepaid Rent**: Rent paid in advance not applicable to the reporting period.

FIXED ASSETS

1090 **Land**: Cost of land paid for by the center.

1100 **Buildings and Building Improvements**: Cost of physical structures erected or purchased by the center and the cost of major improvements made by the center.

1109 **Accumulated Depreciation-Buildings and Building Improvements**: The accumulated amount of depreciation to date on buildings erected by or purchased by the center. See Appendix 6.

1110 **Furniture and Equipment**: Cost of furniture and equipment purchased by the center having an estimated useful life greater than one year.

1119 **Accumulated Depreciation-Furniture and Equipment**: The accumulated amount of depreciation to date on furniture and equipment purchased by the center. See Appendix 6.

1120 **Leasehold Improvements**: Improvements, permanent in nature, made to rented property, and having an estimated useful life greater than one year.

1129 **Accumulated Amortization-Leasehold Improvements**: The accumulated amount of amortization to date on improvements, permanent in nature, made to rented property, and having an estimated useful life greater than one year.

1130 **Vehicles**: The cost of vehicles purchased by the center having an estimated useful life greater than one year.

1139 **Accumulated Depreciation-Vehicles**: See Appendix 6.

1140 **Donated Fixed Assets**: The fair market value of fixed assets donated to the center, such as equipment, furniture, or fixtures.

1149 **Accumulated Depreciation-Donated Fixed Assets**: The accumulated amount of depreciation on fixed assets donated to the center having an estimated useful life greater than one year. See Appendix 6.

OTHER ASSETS

1150 **Deferred Expenses:** Amounts paid in the current reporting period, the expense of which is applicable (or should be charged) to subsequent reporting periods.

CURRENT LIABILITIES

2010 **Accounts Payable:** Liabilities incurred during the reporting period which are to be paid after the close of the reporting period.

2011 **Notes Payable:** Amounts owed by the center which are evidenced by a formal, negotiable or nonnegotiable note.

2012 **Mortgage Payable:** The principal sum owed by the center on a mortgage.

2020 **Accrued Interest Payable:** That portion of interest due on indebtedness of the center which is payable after the closing of the reporting period.

2021 **Accrued Salaries:** That portion of salaries applicable to the reporting period paid by the center subsequent to the reporting period.

2022 **Accrued Other Compensation:** That portion of compensation to nonsalaried personnel applicable to the reporting period, paid subsequent to the reporting period.

2023 **Accrued Employee Benefits:** The total cost of fringe benefits (employer and employee shares) payable subsequent to the reporting period.

Accrued Payroll Taxes: The total of all unpaid payroll taxes due to various taxing bodies payable subsequent to the reporting period. Accounts listed below:

2030 **Accrued Federal Withholding Tax**

2031 **Accrued State Withholding Tax**

2032 **Accrued City Withholding Tax**

2033 **Accrued FICA (Social Security)**

2034 **Accrued Federal Unemployment Tax**

2035 **Accrued State Unemployment Tax**

2040 **Accrued Other Taxes:** That portion of real estate taxes and other taxes (excluding payroll taxes and corporate income taxes) incurred to date and payable subsequent to the reporting period.

2050 **Accrued Corporate Income Taxes:** (Used only if a corporation.) The liability for tax on corporate income.

RESTRICTED LIABILITIES AND DEFERRED INCOME

2060 **Liability for Funds Designated for Investment:** Contributions made by outside individuals, either in cash, stocks, bonds, etc., which are restricted by the donor as to their use.

2070 **Deferred Income-Fees and Direct Payments:** Monies received from clients intended for use in periods subsequent to the current reporting period.

2071 **Deferred Income-Governmental Sources:** Amounts received from governmental bodies intended for use in periods subsequent to the current reporting period.

2072 **Deferred Income-Contributions:** Monies collected as a result of contributions from individuals, businesses, and nonbusiness organizations and federated fund-raising campaigns intended for use in periods subsequent to the current reporting period.

EQUITY

3010 **Donated Equity:** The equity created by the donation of assets to a center, that is, the fair market value less accumulated depreciation, if any.

3020 **Fund Equity:** The accumulated profit (excess) or loss (deficit) of the center since its inception.

3030 **Capital Stock Issued:** (Used only if corporation.) Proceeds received by the corporation from the issuance of capital stock.

3040 **Paid in Surplus:** (Used only if corporation.) Assets contributed by the stockholders which are neither loans nor payments for stock.

3050 **Retained Earnings:** (Used only if corporation.) The excess of corporate net worth (assets minus liabilities and capital stock issued) over the par or stated value of capital stock outstanding.

APPENDIX 2

CASH RECEIPTS SUPPLEMENT

Certain income transactions require special handling, such as specially restricted donations, the sale of an asset that results in either a loss or a gain, and credit memos. These transactions, along with insurance reimbursement, are discussed in Appendix 2.

SPECIALLY RESTRICTED DONATIONS

If funds are contributed to a day care center with the restrictive provision that they must be invested and that only income derived therefrom may be retained by the center, and that an amount equal to the fund contributed must be returned to the donor, then the following transaction should be entered in the cash receipts journal as a DEBIT to Cash and as a CREDIT to Liability for Funds Designated for Investment.

Example: Mr. Z contributes $10,000 to ABC Day Care Center with the provision that the center must invest the $10,000. He further stipulates that the center may hold the $10,000 for five years, with the following provisions:

1. The $10,000 must be invested in certificates of deposit, marketable securities, or bonds.
2. The center may retain any *income* derived from the investment (interest received, dividends, etc.).
3. At the end of five years, the center must return the $10,000 to Mr. Z.

Procedure for Entering in Cash Receipts Journal

(1) Enter the $10,000 in the column titled "Cash-Restricted" (which is a DEBIT).

(2) Enter the $10,000 on the CREDIT side of the column titled "General," inserting the account number for Liability for Funds Designated for Investment.

When this money is used to purchase marketable securities, etc., this transaction is recorded in the cash disbursements journal.

SALE OF AN ASSET – GAIN

When an asset is sold, first establish the resulting gain using the following procedure:

Cost of asset (vehicle)	$6,000
Less: accumulated depreciation to date of sale	5,000
Book value at date of sale	$1,000
Proceeds from sale of asset	2,000
Gain on sale	$1,000

When the sale of an asset results in a gain, the following accounts will be affected:

	DEBIT	CREDIT
Cash in Bank-Unrestricted # 1010 will be DEBITED	$2,000	
Accumulated Depreciation-Vehicles # 1139 will be DEBITED	5,000	
Gain on Sale of Assets or Investments # 4250 will be CREDITED		$6,000
Vehicles # 1130 will be CREDITED		1,000

Recording Above Transaction in Cash Receipts Journal

				DEBIT	CREDIT	CREDIT		DEBIT
Date	Received From	Receipt Number	Memo Deposit	1010 Cash-Unrestricted	4250 Gain on Sale of Assets	General Acct. #	General Amount	General Amount
5-11-72	Superior Auto			$2,000.00	$1,000.00	1139 1130	 $6,000.00	$5,000.00

SALE OF AN ASSET – LOSS

When an asset is sold, first establish the resulting loss using the following procedure:

Cost of asset (vehicle)	$6,000
Less: accumulated depreciation to date of sale	5,000
Book value at date of sale	$1,000
Proceeds from sale of asset	500
Loss on sale	$ 500

When the sale of an asset results in a loss, the following accounts will be affected:

	DEBIT	CREDIT
Cash in Bank-Unrestricted # 1010 will be DEBITED.	$ 500	
Accumulated Depreciation-Vehicles # 1139 will be DEBITED.	5,000	
Loss on Sale of Assets or Investments # 5801-1 will be DEBITED.	500	
Vehicles # 1130 will be CREDITED.		$6,000

Recording Above Transaction in Cash Receipts Journal

				DEBIT	CREDIT		DEBIT
				1010	General		
Date	Received From	Receipt Number	Memo Deposit	Cash-Unrestricted	Acct. #	Amount	Amount
5-11-72	Superior Auto			$ 500.00	1130	$6,000.00	
					1139		$5,000.00
					5801-1		500.00

LOSS ARISING FROM THEFT OF EQUIPMENT

When equipment is stolen, first establish the loss using the following procedure:

Cost of equipment (typewriter)	$600
Less: accumulated depreciation to date of theft	150
Book value at date of theft	450
Reimbursement, from insurance coverage	400
Loss	$ 50

When reimbursement is received for equipment which has been stolen, the following accounts will be affected:

	DEBIT	CREDIT
Cash in Bank-Unrestricted # 1010 will be DEBITED (insurance proceeds)	$400	
Accumulated Depreciation-Furniture and Equipment #1119 will be DEBITED	150	
Loss Due to Theft or Vandalism #5802-1 will be DEBITED	50	
Furniture and Equipment #1110 will be CREDITED		$600

When recording the above entry in the cash receipts journal, use the column titled "General" to record the last three amounts.

CREDIT MEMO

When a credit memo has been received, it should be recorded in the cash receipts journal with a DEBIT to the appropriate accounts payable and a CREDIT to the appropriate expense account.

Example: A credit memo was received from All Supply Company in the amount of $20 which resulted from an overcharge to the center's account for educational supplies.

Accounts Payable #2010 will be DEBITED $20.

Supplies–Teaching and Child Care #5300-3 will be CREDITED $20.

Recording of the above transaction in the cash receipts journal is as follows:

				DEBIT	CREDIT		DEBIT
					General		
Date	Received From	Receipt Number	Memo Deposit	1010 Cash-Unrestricted	Acct. #	Amount	Amount
5-7-72	All Supply Company			Credit Memo	5300-3	$20.00	
					2010		$20.00

APPENDIX 3

CASH DISBURSEMENTS SUPPLEMENT

Unusual expense transactions occur occasionally that require special handling when being recorded in the cash disbursements journal. Examples of such transactions are discussed in this Appendix, beginning with a debit memo.

DEBIT MEMO

If a debit memo is received from T.H.E. Bank showing that $15.00 for check printing has been charged to the center's bank account, the following accounts are affected:

	DEBIT	CREDIT
Bank Charges #5701-1 is DEBITED	$15	
Cash in Bank-Unrestricted #1010 is CREDITED		$15

Recording Above Transaction in Cash Disbursements Journal

			CREDIT	DEBIT	
				General	
Date	Payee	Ck. #	1010 Cash-Unrestricted	Acct. #	Amount
6-13-72	T.H.E. Bank	Debit Memo	$15.00	5701-1	$15.00

STATEMENT OF CHARGES LESS CREDIT

The center receives a statement showing $200 due resulting from a charge of $250 for classroom supplies and a credit of $50 for overpayment on a previous statement.

The following accounts will be affected:

	DEBIT	CREDIT
Cash in Bank-Unrestricted #1010 is CREDITED $200		$200
Accounts Payable #2010 is CREDITED $50		50
Supplies-Teaching and Child Care #5300-3 is DEBITED $250	$250	

Recording Above Transaction in Cash Disbursements Journal

			CREDIT	CREDIT		DEBIT	
			1010 Cash-	General		Supplies	
Date	Payee	Ck. #	Unrestricted	Acct. #	Amount	Acct. #	Amount
6-23-72	All Supply Co.	1232	$200.00	2010	$50.00	5300-3	$250.00

PURCHASING MARKETABLE SECURITIES WITH RESTRICTED FUNDS

Assume that a center has received $10,000 from Mr. Z., with the stipulation that the center must invest the $10,000 and that the center may hold the $10,000 for five years and—

1. the $10,000 must be invested in certificates of deposit, marketable securities or bonds;
2. the center may retain any income derived from the investment (interest received, dividends, etc.); and
3. at the end of five years the center must return the $10,000 to Mr. Z.

When this money was first received it would be posted as a DEBIT to Cash in Bank-Restricted.

When this cash is used to purchase marketable securities, the following accounts are affected:

	DEBIT	CREDIT
Marketable Securities-Restricted #1061 is DEBITED	$10,000	
Cash in Bank-Restricted #1011 is CREDITED		$10,100

Recording Above Transaction in Cash Disbursements Journal

			CREDIT	DEBIT	
			1011 Cash-Restricted	General	
Date	Payee	Ck. #		Acct. #	Amount
10-1-72	Mr. Stockbroker	1517	$10,000.00	1061	$10,000.00

At the time when the investment matures, the following accounts are affected:

	DEBIT	CREDIT
Cash in Bank-Restricted #1011 is DEBITED	$10,000	
Marketable Securities-Restricted #1061 is CREDITED		$10,000
Note: If at the time of maturity any interest, etc., is included in the cash received, the excess over the original amount invested affects the following accounts:		
Cash in Bank-Unrestricted #1010 is DEBITED	45	
Income from Investments and Royalties #4240 is CREDITED		45

When the $10,000 is returned to the donor the following accounts are affected:

	DEBIT	CREDIT
Liability for Funds Designated for Investment #2060 is DEBITED	$10,000	
Cash in Bank-Restricted #1011 is CREDITED		$10,000

TUITION DEDUCTED FROM EMPLOYEE'S SALARY

Assume that Mary Jones, a center employee, has agreed that $300 tuition is to be deducted from her gross salary at the rate of $20 per pay check. When this pay check is reported in the cash disbursement journal, the following accounts will be affected:

	DEBIT	CREDIT
Salaries #5100 is DEBITED	$300	
Cash in Bank-Unrestricted #1010 is CREDITED		$240
Accrued Federal Withholding Tax #2030 is CREDITED		20
Accrued FICA #2033 is CREDITED		15
Accrued State Withholding #2031 is CREDITED		5
Tuition #4110 is CREDITED		20

Recording Above Transaction in Cash Disbursements Journal

			CREDIT	DEBIT	CREDIT	CREDIT	CREDIT	CREDIT
Date	Payee	Ck. #	1010 Cash-Unrestricted	5100 Salaries	2030 Accrued Federal Withholding Tax	2033 Accrued FICA	2031 Accrued State Withholding Tax	4110 Tuition
9-15-72	Mary Jones	1437	$240.00	$300.00	$20.00	$15.00	$5.00	$20.00

DEDUCTION OF EMPLOYEE'S SHARE OF EMPLOYEE BENEFIT PLAN COST

The center has an employee benefit plan to which both employee and employer contribute. The employee contributes one-third of the cost; the employer contributes two-thirds of the cost. Zelda Zink, a center employee, has $6 per pay check deducted for her share of a group insurance plan.

Entry of this pay check in cash disbursements journal would show that the following accounts are affected:

	DEBIT	CREDIT
Salaries #5100 is DEBITED	$300	
Cash in Bank-Unrestricted #1010 is CREDITED		$254
Accrued Federal Withholding Tax #2030 is CREDITED		20
Accrued FICA #2033 is CREDITED		15
Accrued State Withholding #2031 is CREDITED		5
Accrued Employee Benefits #2023 is CREDITED		6

Recording Above Transaction in Cash Disbursements Journal

			CREDIT	DEBIT	CREDIT	CREDIT	CREDIT	CREDIT
Date	Payee	Ck. #	1010 Cash-Unrestric	5100 ries	2030 Accrued Federal Withholding Tax	2033 Accrued FICA	2031 Accrued State Withholding Tax	2023 Accrued Employee Benefits
9-15-72	Zelda Zink	1439	$254.00	$300.00	$20.00	$15.00	$5.00	$6.00

PAYMENT OF EMPLOYEE BENEFIT PLAN COST WHEN COST IS SHARED

The center has an employee benefit plan to which both employee and employer contribute. The employee contributes one-third of the cost; the employer contributes two-thirds of the cost.

As illustrated previously, when the employee's share of the benefit plan cost is withheld, it is CREDITED to the general ledger liability account Accrued Employee Benefits.

When payment is made to the carrier, the employer's share is DEBITED to the general ledger expense account Employee Benefits, and the employee's share is DEBITED to the *liability* account Accrued Employee Benefits.

Care should be taken in recording this transaction in the cash disbursements journal to ensure that *only* the *employer's* share is recorded as an *expense.*

When payment is made, the following accounts are affected:

	DEBIT	CREDIT
Accrued Employee Benefits #2023 is DEBITED (employee's share)	$ 6	
Employee Benefits #5102 is DEBITED (employer's share)	12	
Cash in Bank-Unrestricted #1010 is CREDITED		$18

Recording Above Transaction in Cash Disbursements Journal

			CREDIT	DEBIT	
			1010	General	
Date	Payee	Ck. #	Cash-Unrestricted	Acct. #	Amount
10-9-72	O.U.R. Hospital Plan, Inc.	1452	$18.00	5102	$12.00
				2023	6.00

RESTRICTED GRANT FROM PRIVATE FOUNDATION

A center that prepares monthly financial statements received from a private organization a one-year grant of $80,000. The conditions of the grant are:

1. To support all services excluding transportation services, beginning January 1, 1972.
2. Any unused portion of the grant may be used in the following year to support all services excluding transportation services.
3. An accounting of the use of grant money must be rendered to the organization on December 31, 1972.

When the grant is received the following accounts will be affected:

	DEBIT	CREDIT
Cash in Bank-Restricted #1011 is DEBITED	$80,000	
Deferred Income-Contributions #2072 is CREDITED		$80,000
As funds are disbursed in accordance with the terms of the grant, the following accounts are affected:		
Whatever expense, asset, or liability account is affected is DEBITED		
Example: Rent of Space-Center #5400-2 is DEBITED $2,500.	2,500	
Cash in Bank-Restricted #1011 is CREDITED $2,500		2,500
At the end of each reporting period, an amount equal to the total disbursements made during the period will be set up using G.J.E. #12, Appendix 4.		
Deferred Income Contributions #2072 is DEBITED	6,000	
Individuals, Businesses, and Nonbusiness Organizations-Restricted #4511 is CREDITED		6,000
This procedure allocates deferred income to the proper income account.		

APPENDIX 4

GENERAL JOURNAL SUPPLEMENT

Included in this Appendix are general journal entries that may be required from time to time. Entries Nos. 1 through 5 are required for all centers and are described in Chapter 6, "General Journal."

Instructions for each set-up entry are given in detail and the format is shown in Illustration 9. Where the reversal section of an entry is completely blocked out in the illustration it means that no reversal is ever required for the entry.

Example: If depreciation is being reported as an expense, the amount of depreciation set-up in Entry No. 30 in one period remains on the books as an expense until the end of the fiscal year. It is *never* reversed.

When a reversal entry is required, refer to Chapter 6, section on "Reversing Entries," for instructions.

Entry No. 6 – Accrued Interest Payable

Procedure for Entering in General Journal

(1) Establish the amount of interest due to date by the center which will be paid subsequent to the current reporting period, using the following formula:

$$\frac{\text{Principal amount of loan}}{1} \times \frac{\text{Annual interest rate}}{100} \times \frac{\text{Number of days applicable to your reporting period}}{360 \text{ days}} = \text{Interest expense}$$

(2) Enter the amount as a DEBIT to Interest, general ledger account #5800-1.

(3) Enter as a CREDIT to Accrued Interest Payable, general ledger account #2020, the same amount.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #5800-1 Interest the date (the last day of the reporting period) and the source, G.J.E. (General Journal Entry) #6.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of general ledger account #2020 Accrued Interest Payable the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 7 – Accrued Other Compensation

Procedure for Entering in General Journal

(1) Establish the amount of Other Compensation *earned by nonsalaried personnel in the reporting period* that will be *paid in a subsequent reporting period.*

(2) Enter the amount as a DEBIT to Other Compensation, general ledger account #5101.

(3) Enter as a CREDIT to Accrued Other Compensation, general ledger account #2022, the same amount.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #5101 Other Compensation the date and the source, G.J.E. #7.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of the general ledger account #2022 Accrued-Other Compensation the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 8 – Accrued Employee Benefits

In certain instances the employer contributes his share of various employee benefit plan payments or premiums, which are paid to the carrier subsequent to the reporting period. It is therefore necessary to accrue the employer portion of the payment or premium for the applicable reporting period.

Procedure for Entering in General Journal

(1) Establish the amount of the employer's share of the cost of employee benefit plans applicable to the current reporting period that will be paid subsequent to the reporting period.

(2) Enter the amount as a DEBIT to Employee Benefits, general ledger account #5102.

(3) Enter as a CREDIT to Accrued Employee Benefits, general ledger account #2023, the same amount.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #5102 Employee Benefits the date and the source, G.J.E. #8.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of general ledger account #2023 Accrued Employee Benefits the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 9 – Accrued Other Taxes-Real Estate

Generally, real estate taxes are billed the year following the year in which they are incurred. It would therefore be necessary in some instances to accrue an amount covering more than a twelve-month period.

Example: 1971 real estate taxes are billed in May 1972. If a March 31, 1972 financial statement were being prepared, it would be necessary to accrue 1971 real estate taxes incurred but not yet billed plus three-twelfths (3/12) of an estimated real estate tax for 1972.

Procedure for Entering in General Journal

(1) Establish the total liability for unpaid real estate taxes to include: the amount from previous year(s) unpaid tax bill, the estimated amount for the previous year if not yet billed, and the estimated amount for the current year's real estate tax to date.

(2) Enter the appropriate amount as a DEBIT to the applicable general ledger expense account.

(3) Enter the total as a CREDIT to Accrued Other Taxes, general ledger account #2040.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of the applicable general ledger expense account(s) the date and the source, G.J.E. #9.

(2) Post the DEBIT(S) to the same general ledger account(s).

(3) Enter on the CREDIT side of general ledger account #2040 Accrued Other Taxes the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 10 – Deferred Income-Fees and Direct Payments

Deferred income refers to all monies received in advance of service rendered as well as monies raised during one reporting period that are intended for use in subsequent periods. For example, if tuition for February is paid in January, the amount received will be reported as Deferred Income in January and as Tuition Income in February. This definition would also apply to Entries Nos. 11 and 12.

Procedure for Entering in General Journal

(1) Establish the total amount of money received in the previous reporting period(s) that should be reported in the current reporting period as income from Tuition, Special Fees, and Transportation.

(2) Enter the total as a DEBIT to Deferred Income-Fees and Direct Payments, general ledger account #2070.

(3) Enter as a CREDIT the applicable amount to the appropriate general ledger income account(s).

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #2070 Deferred Income-Fees and Direct Payments the date and the source, G.J.E. #10.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of the applicable general ledger income account(s) the date and source.

(4) Post the CREDIT(S) to the same general ledger account(s).

Entry No. 11 – Deferred Income-Governmental Sources

Procedure for Entering in General Journal

(1) Establish per contractor agreement the amount of deferred income from the previous reporting period(s) that should be reported as income from governmental sources for the current reporting period.

(2) Enter the amount as a DEBIT to Deferred Income-Governmental Sources, general ledger account #2071.

(3) Enter as a CREDIT the applicable amount to the appropriate general ledger income account(s).

Posting to the General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #2071 Deferred Income-Governmental Sources the date and the source, G.J.E. #11.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of the applicable general ledger income account(s) the date and source.

(4) Post the CREDIT(S) to the same general ledger account(s).

Entry No. 12 – Deferred Income-Contributions

Procedure for Entering in General Journal

(1) Establish the amount of deferred income previously collected which should be reported as income from contributions for the current reporting period.

(2) Enter as a DEBIT to Deferred Income-Contributions, general ledger account #2072.

(3) Enter as a CREDIT the applicable amount to the appropriate general ledger income account(s).

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #2072 Deferred Income-Contributions the date and the source, G.J.E. #12.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of the applicable general ledger income account(s) the date and source.

(4) Post the CREDIT(S) to the same general ledger account(s).

Entry No. 13 – Accounts Receivable-Other Revenue

Procedure for Entering in General Journal

(1) Establish the total uncollected amount applicable to the reporting period due to the center from:

Memberships
Sales and Special Events
Interest due to date (use formula below)
Dividends – when declared by issuing corporation
Royalties – when authorized by issuing company or individual
Rental or lease – when authorized by terms of lease
Distribution of profits (earnings) – when authorized by the company or individual

$$\frac{\text{Amount on deposit}}{1} \times \frac{\text{Annual rate of interest}}{100} \times \frac{\text{Number of days applicable to your reporting period}}{360 \text{ days}} = \text{Interest due}$$

(2) Enter the total as a DEBIT to Accounts Receivable-Other Revenue, general ledger account #1021.

(3) Enter as a CREDIT the applicable amount to the appropriate general ledger income account(s).

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #1021 Accounts Receivable-Other Revenue the date and the source, G.J.E. #13.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of the applicable general ledger income account(s) the date and source.

(4) Post the CREDIT(S) to the same general ledger income account(s).

Entry No. 14 – Accounts/Pledges Receivable-Contributions

Procedure for Entering in General Journal

(1) Establish the total uncollected amount applicable to the reporting period due to the center from:

Individuals, Businesses, and Nonbusiness Organizations–Restricted and Unrestricted Federated Fund-Raising Campaigns

(2) Enter the total as a DEBIT to Accounts/Pledges Receivable-Contributions, general ledger account #1023.

(3) Enter as a CREDIT the applicable amount to the appropriate general ledger income account(s).

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #1023 Accounts/Pledges Receivable-Contributions the date and the source, G.J.E. #14.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of the applicable general ledger income account(s) the date and source.

(4) Post the CREDIT(S) to the same general ledger account(s).

Entry No. 15 – Accounts/Pledges Receivable-Parent Organization/Central Agency

Procedure for Entering in General Journal

(1) Establish the amount due or promised from the parent organization/central agency.

(2) Enter the amount as a DEBIT to Accounts/Pledges Receivable-Parent Organization/Central Agency, general ledger account #1024.

(3) Enter as a CREDIT to Support from Parent Organization/Central Agency, general ledger account #4610, the same amount.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of General ledger account #1024 Accounts/Pledges Receivable-Parent Organization/Central Agency the date and the source, G.J.E. #15.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of general ledger account #4610 Support from Parent Organization/Central Agency the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 16 – Allowance for Uncollectible Accounts/Pledges

In business it is recognized that all receivables will not be collected. Therefore, an allowance for these uncollectibles should be set up at the end of each reporting period.

Procedure for Entering in General Journal

(1) Establish the amount due for the reporting period from:

(a) *Receivables:* Examine all receivables set up in Accounts Receivable-Fees and Direct Payments. Those showing a billing date of 90 or more days prior to the end of the current reporting period should be set apart and an adding machine tape run on their amounts.

(b) *Pledges:* Pledges considered by the center as not likely to be collected:

The general rule of thumb is that any pledge which has not been honored within 90 days after the official closing date for receipt of pledges made to a fund-raising drive should be considered as uncollectible, unless other arrangements have been made between the contributor and the center.

(2) Enter the total of both amounts as a DEBIT to Uncollectible Accounts, general ledger account #5712-1.

(3) Enter as a CREDIT to Allowance for Uncollectible Accounts/Pledges, general ledger account #1029, the same amount.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #5712-1 Uncollectible Accounts the date and the source, G.J.E. #16.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of general ledger account #1029 Allowance for Uncollectible Accounts/Pledges the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 17 – Supply Inventory

Procedure for Entering in General Journal

(1) Establish the cost or fair market value, whichever is lesser, of the inventory of supplies on-hand at the end of the reporting period.

(2) Enter the amount as a DEBIT to Supply Inventory, general ledger account #1050.

(3) Enter as a CREDIT(S) the applicable amount to the appropriate general ledger expense account(s).

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #1050 Supply Inventory the date and the source, G.J.E. #17.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of the applicable general ledger expense account(s) the date and source.

(4) Post the CREDIT(S) to the same general ledger account(s).

Entry No. 18 – Supply Inventory–Donated

When a center receives a donation of supplies, it is necessary to account for the supplies on hand at the end of the reporting period in its general journal and in its general ledger.

Procedure for Entering in General Journal

(1) Enter the amount from Worksheet No. 5, page 1, column E, line 40 as a DEBIT to Supply Inventory-Donated, general ledger account #1051.

(2) Enter as a CREDIT to Donated Equity, general ledger account #3010, the same amount.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #1051 Supply Inventory-Donated the date and the source, G.J.E. #18.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of general ledger account #3010 Donated Equity the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 19 – Marketable Securities–Donated

Procedure for Entering in General Journal

(1) Establish the fair market value (stock quotation on the date the stock was donated) of the stock donated.

(2) Enter the amount as a DEBIT to the applicable Marketable Securities general ledger account.

(3) Enter as a CREDIT to Liability for Funds Designated for Investment, general ledger account #2060, the same amount.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of the applicable Marketable Securities general ledger account(s) the date and the source,G.J.E. #19.

(2) Post the DEBIT(S) to the same general ledger account(s).

(3) Enter on the CREDIT side of general ledger account #2060 Liability for Funds Designated for Investment the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 20 – Unexpired Insurance

Procedure for Entering in General Journal

(1) Establish the amount of unexpired insurance using the "Schedule of Unexpired Insurance," Appendix 9.

(2) Enter the amount(s) shown as Expense in the column applicable to your reporting period as a DEBIT(S) to the applicable general ledger account(s).

(3) Enter the *total* from the same column as a CREDIT to Unexpired Insurance, general ledger account #1070.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of the applicable general ledger expense account(s) the date and the source,G.J.E. #20.

(2) Post the DEBIT(S) to the same general ledger account(s).

(3) Enter on the CREDIT side of general ledger account #1070 Unexpired Insurance the date and the source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 21 – Prepaid Rent

Procedure for Entering in General Journal

(1) Establish what portion of prepaid rent is applicable to your reporting period as expense by use of the following formula:

$$\frac{\text{Number of months applicable in your reporting period}}{\text{Total number of months the prepayment covers}} \times \text{Total prepayment} = \text{Prepaid rent}$$

(2) Enter as a DEBIT the appropriate amount(s) to the applicable general ledger expense account(s).

(3) Enter as a CREDIT to Prepaid Rent, general ledger account #1081, the same amount.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of the applicable general ledger expense account(s) the date and the source, G.J.E. #21.

(2) Post the DEBIT(S) to the same general ledger account(s).

(3) Enter on the CREDIT side of general ledger account #1081 Prepaid Rent the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 22 – Prepaid Interest

Procedure for Entering in General Journal

(1) Establish what portion of prepaid interest is applicable to your reporting period as expense by use of the following formula:

$$\frac{\text{Number of months applicable in your reporting period}}{\text{Total number of months the prepayment covers}} \times \text{Total prepayment} = \text{Prepaid interest}$$

(2) Enter the amount as a DEBIT to Interest, general ledger account #5800-1.

(3) Enter as a CREDIT to Prepaid Interest, general ledger account #1080, the same amount.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #5800-1 Interest the date and the source, G.J.E. #22.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of general ledger account #1080 Prepaid Interest the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 23 – Sale of an Asset

When the proceeds of a sale have not yet been received at the end of a reporting period, the receivable would be set up in the general journal.

The sale of an asset could result in either a gain–Example A–or a loss–Example B.

Example A – Gain

Cost of Asset (vehicle)	$6,000
Less: Accumulated Depreciation to date of sale	5,000
Book Value at date of sale	1,000
Proceeds from sale of Asset	2,000
Gain	$1,000

Procedure for Entering Gain in General Journal

(1) Enter the proceeds of the sale ($2,000) as a DEBIT to Accounts Receivable-Other Revenue, general ledger account #1021.

(2) Enter the amount of all depreciation taken to date of sale ($5,000) as a DEBIT to Accumulated Depreciation-Vehicales, general ledger account #1139.

(3) Enter as a CREDIT to Vehicles, general ledger account #1130, the cost of the asset ($6,000).

(4) Enter as a CREDIT to Gain on Sale of Assets, general ledger account #4250, the gain ($1,000).

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #1021, Accounts Receivable-Other Revenue, the date, source G.J.E. #23 and the applicable amount ($2,000).

(2) Enter on the DEBIT side of general ledger account #1139, Accumulated Depreciation-Vehicles, the date, source and the applicable amount ($5,000).

(3) Enter on the CREDIT side of general ledger account #1130, Vehicles, the date, source and the applicable amount ($6,000).

(4) Enter on the CREDIT side of general ledger account #4250 Gain on Sale of Assets, the date, source and the applicable amount ($1,000)

Example B – Loss

Cost of Asset (vehicle)	$6,000
Less: Accumulated Depreciation to date of sale	5,000
Book Value at date of sale	1,000
Proceeds from sale of Asset	500
Loss	$ 500

Procedure for Entering Loss in General Journal

(1) Enter the proceeds of the sale ($500) as a DEBIT to Accounts Receivable-Other Revenue, general ledger account #1021.

(2) Enter the amount of all depreciation taken to date of sale ($5,000) as a DEBIT to Accumulated Depreciation-Vehicles, general ledger account #1139.

(3) Enter the loss ($500) as a DEBIT to Loss on Sale of Assets and Investments, general ledger account #5801-1.

(4) Enter as a CREDIT to Vehicles, general ledger account #1130, the cost of the asset ($6,000).

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #1021, Accounts Receivable-Other Revenue, the date, source G.J.E. #23 and the applicable amount ($500).

(2) Enter on the DEBIT side of general ledger account #1139, Accumulated Depreciation-Vehicles, the date, source and applicable amount ($5,000).

(3) Enter on the DEBIT side of general ledger account #5801-1, Loss on Sale of Assets and Investments, the date, source and applicable amount ($500).

(4) Enter on the CREDIT side of general ledger account #1130, Vehicles, the date, source and applicable amount ($6,000).

Entry No. 24 – Theft of Equipment

When equipment has been stolen the amount of reimbursement due to be received from insurance coverage–*Example A*–or the uninsured loss due to theft–*Example B*–should be set up in the general journal. This is necessary not only to record any loss sustained, but also to remove the stolen equipment from the center's current assets.

Example A – Theft of insured equipment

Cost of Equipment (typewriter)	$600
Less: Accumulated Depreciation to date of theft	150
Book Value at date of theft	$450
To be received from insurance coverage	400
Loss	$ 50

Procedure for Entering Insurance Reimbursement in General Journal

(1) Establish the loss due to theft by the example method.

(2) Enter the amount to be received from insurance coverage ($400) as a DEBIT to Accounts Receivable-Other Revenue, general ledger Account #1021.

(3) Enter the amount of depreciation taken to date ($150) as a DEBIT to Accumulated Depreciation-Furniture and Equipment, general ledger Account #1119.

(4) Enter the amount of the loss ($50) as a DEBIT to Loss Due to Theft or Vandalism, general ledger account #5802-1.

(5) Enter the cost of the equipment ($600) as a CREDIT to Furniture and Equipment, general ledger account #1110.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #1021, Accounts Receivable-Other Revenue, the date, source G.J.E. #24 and the appropriate amount ($400).

(2) Enter on the DEBIT side of general ledger account #1119, Accumulated Depreciation-Furniture and Equipment, the date, source and appropriate amount ($150).

(3) Enter on the DEBIT side of general ledger account #5802-1, Loss Due to Theft or Vandalism, the date, source and appropriate amount ($50).

(4) Enter on the CREDIT side of general ledger account #1110, Furniture and Equipment, the date, source, and appropriate amount ($600).

Example B – Theft of uninsured equipment

Cost of equipment (typewriter)	$600
Less: Accumulated Depreciation to date of theft	150
Uninsured loss	$450

Procedure for Entering Uninsured Loss in General Journal

(1) Enter the depreciation taken to date ($150) as a DEBIT to Accumulated Depreciation-Furniture and Equipment, general ledger account #1119.

(2) Enter the amount of the loss ($450) as a DEBIT to Loss Due to Theft or Vandalism, general ledger account #5802-1.

(3) Enter the cost of the equipment ($600) as a CREDIT to Furniture and Equipment, general ledger account #1110.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #1119, Accumulated Depreciation-Furniture and Equipment, date, source, and appropriate amount ($150).

(2) Enter on the DEBIT side of general ledger account #5802-1, Loss Due to Theft or Vandalism, the date, source, and appropriate amount ($450).

(3) Enter on the CREDIT side of general ledger account #1110, Furniture and Equipment, the date, source, and appropriate amount ($600).

This second example is *never* reversed.

Entry No. 25 – Depreciation-Buildings and Building Improvements

If the reader is unfamiliar with depreciation, Appendix 6 should be read before setting up Entries Nos. 25 through 28 and Entry No. 30.

Procedure for Entering in General Journal

(1) Enter as a DEBIT(S) the appropriate amount(s) for the applicable reporting period shown on the Depreciation Schedule for Fixed Assets, Recap Section, to the applicable general ledger expense account(s).

(2) Enter the total as a CREDIT to Accumulated Depreciation-Buildings and Building Improvements, general ledger account #1109.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of the applicable general ledger expense account(s), the date and the source, G.J.E. #25.

(2) Post the DEBIT(S) to the same general ledger account(s).

(3) Enter on the CREDIT side of general ledger account #1109, Accumulated Depreciation-Buildings and Building Improvements, the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 26 – Amortization-Leasehold Improvements

Procedure for Entering in General Journal

(1) Enter as a DEBIT(S) the total(s) for the applicable reporting period as shown on the Amortization Schedule for Leasehold Improvements, Recap section, to the applicable general ledger expense account(s).

(2) Enter the total as a CREDIT to Accumulated Amortization-Leasehold Improvements, general ledger account #1129.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of the applicable general ledger expense account(s), the date and the source, G.J.E. #26.

(2) Post the DEBIT(S) to the same general ledger account(s).

(3) Enter on the CREDIT side of general ledger account #1129, Accumulated Amortization-Leasehold Improvements, the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 27 – Depreciation-Furniture and Equipment

Procedure for Entering in General Journal

(1) Enter as a DEBIT(S) the appropriate total(s) for the applicable reporting period as shown on the Depreciation Schedule for Fixed Assets, Recap section, to the applicable general ledger expense account(s).

(2) Enter the total as a CREDIT to Accumulated Depreciation-Furniture and Equipment, general ledger account #1119.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of the applicable general ledger expense account(s) the date and the source, G.J.E. #27.

(2) Post the DEBIT(S) to the same general ledger account(s).

(3) Enter on the CREDIT side of general ledger account #1119, Accumulated Depreciation-Furniture and Equipment, the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 28 – Depreciation-Vehicles

Procedure for Entering in General Journal

(1) Enter the total for the applicable reporting period as shown on the Depreciation Schedule for Fixed Assets as a DEBIT to Depreciation-Vehicles, general ledger account #5600-8.

(2) Enter as a CREDIT to Accumulated Depreciation-Vehicles, general ledger account #1139, the same amount.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #5600-8, Depreciation-Vehicles, the date and the source, G.J.E. #28.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of general ledger account #1139, Accumulated Depreciation-Vehicles, the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 29 – Donated Fixed Assets

When a center receives a donation of a fixed asset, it is necessary to account for this asset in its general journal and in its general ledger.

Procedure for Entering in General Journal

(1) Estimate the fair market value of the donated asset.

(2) Enter the amount as a DEBIT to Donated Fixed Assets, general ledger account #1140.

(3) Enter as a CREDIT to Donated Equity, general ledger account #3010, the same amount.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #1140, Donated Fixed Assets, the date and the source, G.J.E. #29.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of general ledger account #3010 Donated Equity, the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 30 – Accumulated Depreciation-Donated Fixed Assets

Procedure for Entering in General Journal

(1) Enter the total for the applicable reporting period as shown on the Depreciation Schedule for Fixed Assets as a DEBIT to Donated Equity, general ledger account #3010.

(2) Enter as a CREDIT to Accumulated Depreciation-Donated Fixed Assets, general ledger account #1149, the same amount.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #3010, Donated Equity, the date and the source, G.J.E. #30.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of general ledger account #1149, Accumulated Depreciation-Donated Fixed Assets, the date and source.

(4) Post the CREDIT to the same general ledger account.

Entry No. 31 – Deferred Expense

Procedure for Entering in General Journal

(1) Establish what portion, if any, of deferred expense previously paid is applicable to your reporting period as expense by use of the following formula:

$$\frac{\text{Number of months applicable in your reporting period}}{\text{Total number of months the Deferred Expense covers}} \times \text{Total Deferred Expense} = \text{Deferred Expense}$$

(2) Enter the appropriate amount(s) as a DEBIT(S) to the applicable general ledger expense account(s).

(3) Enter the total as a CREDIT to Deferred Expenses, general ledger account #1150.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of the applicable general ledger expense account(s), the date and the source, G.J.E. #31.

(2) Post the DEBIT(S) to the same general ledger account(s).

(3) Enter on the CREDIT side of general ledger account #1150, Deferred Expense, the date and source.

(4) Post the CREDIT to the same general ledger account.

APPENDIX 4

SPECIAL EXPENSE: ENTRIES TO BE USED IN SPECIAL SITUATIONS

Entry No. 32 – Indirect Administrative Expense

Procedure for Entering in General Journal

(1) Establish the amount of indirect administrative expense *chargeable* to the day care center by a parent organization/central agency. (See Appendix 1, Expense Account #6000-1.)

(2) Enter as a DEBIT to Indirect Administrative Expense, general ledger account #6000-1.

(3) Enter as a CREDIT to Accounts Payable, general ledger account #2010, the same amount.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #6000-1, Indirect Administrative Expense, the date and the source, G.J.E. #32.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of general ledger account #2010, Accounts Payable, the date and source.

(4) Post the CREDIT to the same general ledger account.

The books of the parent organization/central agency should carry the contra entry for Indirect Administrative Expense with a DEBIT to an Accounts Receivable.

Entry No. 33 – Corporate Income Tax (only if corporation)

Procedure for Entering in General Journal

(1) Establish the amount due for corporate income taxes and enter as a DEBIT to Federal Corporate Income Tax, general ledger account #7000-1.

(2) Enter as a CREDIT to Accrued Corporate Income Tax, general ledger account #2050, the same amount.

Posting to General Ledger from General Journal

(1) Enter on the DEBIT side of general ledger account #7000-1, Federal Corporate Income Tax, the date and the source, G.J.E. #33.

(2) Post the DEBIT to the same general ledger account.

(3) Enter on the CREDIT side of general ledger account #2050 Accrued Corporate Income Tax, the date and source.

(4) Post the CREDIT to the same general ledger account.

ILLUSTRATION 9

SUPPLEMENTARY GENERAL JOURNAL ENTRIES

REPORTING PERIOD		FROM _____ TO _____			
	ACCOUNT	REVERSAL		SET-UP	
ENTRY NUMBER AND DESCRIPTION	NUMBER	DEBIT	CREDIT	DEBIT	CREDIT
6. To set up interest owed					
Interest	5800-1				
Accrued Interest Payable	2020				
7. To set up unpaid compensation to nonsalaried personnel					
Other Compensation	5101				
Accrued Other Compensation	2022				
8. To set up unpaid employer cost of employee benefits					
Employee Benefits	5102				
Accrued Employee Benefits	2023				
9. To set up unpaid real estate taxes billed or billable					
Real Estate Taxes - Center	5401-2				
Real Estate Taxes - Garage	5401-8				
Accrued Other Taxes	2040				
10. To allocate deferred income from fees and direct payments					
Deferred Income-Fees & Direct Payments	2070				
Tuition	4110				
Special Fees	4130				
Transportation	4140				
11. To allocate deferred income from governmental sources					
Deferred Income-Governmental Sources	2071				
Grant-in-Aid	4410				
Purchase-of-Service	4420				
12. To allocate deferred income from contributions					
Deferred Income-Contributions	2072				
Individuals, Businesses & Nonbusiness Org.-Unrestr.	4510				
Individuals, Businesses & Nonbusiness Org.-Restr.	4511				
Federated Fund-Raising Campaigns	4520				
Support from Parent Organization/Central Agcy.	4610				

ILLUSTRATION 9
(cont'd.)

SUPPLEMENTARY GENERAL JOURNAL ENTRIES

REPORTING PERIOD		FROM _____ TO _____			
ENTRY NUMBER AND DESCRIPTION	ACCOUNT NUMBER	REVERSAL DEBIT	REVERSAL CREDIT	SET-UP DEBIT	SET-UP CREDIT
13. To set up Accounts Receivable from Other Revenue					
Accounts Receivable-Other Revenue	1021				
Memberships	4210				
Sales and Special Events	4220				
Interest	4230				
Income from Investments & Royalties	4240				
Gain on Sale of Assets	4250				
14. To set up Accounts/Pledges Receivable from Contributions					
Accounts/Pledges Receivable-Contributions	1023				
Individuals, Businesses & Nonbusiness Org.-Unrestr.	4510				
Individuals, Businesses & Nonbusiness Org.-Restr.	4511				
Federated Fund-Raising Campaigns	4520				
15. To set up Accounts/Pledges Receivable From Parent Organization/Central Agency					
Accounts/Pledges Receivable-Parent Organization/Cen. Agcy.	1024				
Support from Parent Org./Central Agency	4610				
16. To set up allowance for uncollectible Accounts/Pledges					
Uncollectible Accounts	5712-1				
Allowance for Uncollectible Accounts/Pledges	1029				
17. To set up the cost of fair market value of supplies on hand					
Supply Inventory	1050				
Office Supplies	5300-1				
Housekeeping Supplies	5300-2				
Teaching & Child Care Supplies	5300-3				
Food Service Supplies	5300-5				
Health Supplies	5300-6				
Vehicle Supplies	5300-8				
18. To set up fair market value of donated supplies on hand					
Supply Inventory - Donated	1051				
Donated Equity	3010				

ILLUSTRATION 9
(cont'd.)

SUPPLEMENTARY GENERAL JOURNAL ENTRIES

REPORTING PERIOD		FROM _____		TO _____	
	ACCOUNT	REVERSAL		SET-UP	
ENTRY NUMBER AND DESCRIPTION	NUMBER	DEBIT	CREDIT	DEBIT	CREDIT
19. To record donated stock/securities					
Marketable Securities-Unrestricted	1060				
Marketable Securities-Restricted	1061				
Liability for Funds Designated for Investment	2060				
20. To allocate unexpired insurance					
Workmen's Compensation Insurance	5105				
Bonding Insurance	5106				
Building Insurance - Center	5405-2				
Building Insurance - Garage	5405-8				
Insurance - Vehicles	5707-8				
Insurance - Other	5705-				
Unexpired Insurance	1070				
21. To allocate prepaid rent					
Rent of Space - Center	5400-2				
Rent of Space - Garage	5400-8				
Prepaid Rent	1081				
22. To allocate prepaid interest					
Interest Expense	5800-1				
Prepaid Interest	1080				
23. To record the sale of an Asset					
Accounts Receivable - Other Revenue	1021				
Accumulated Deprecation (specify)					
Asset Account (specify)					
Gain on Sale of Assets	4250				
Loss on Sale of Assets and Investments	5801-1				
24. To record loss due to theft or vandalism					
Accounts Receivable - Other Revenue	1021				
Accumulated Depreciation (specify)					
Loss Due to Theft or Valdalism	5802-1				
Asset Account (specify)					

ILLUSTRATION 9
(cont'd.)

SUPPLEMENTARY GENERAL JOURNAL ENTRIES

REPORTING PERIOD FROM _____ TO _____

ENTRY NUMBER AND DESCRIPTION	ACCOUNT NUMBER	REVERSAL DEBIT	REVERSAL CREDIT	SET-UP DEBIT	SET-UP CREDIT
25. To record depreciation on buildings and building improvements					
Depreciation-Building & Building Improvements-Center	5406-2				
Depreciation-Building & Building Improvements-Garage	5406-8				
Accumulated Depreciation-Building & Bldg. Imp.	1109				
26. To record amortization on leasehold improvements					
Amortization-Leasehold Improvements-Center	5407-2				
Amortization-Leasehold Improvements-Garage	5407-8				
Accumulated Amortization-Leasehold Impr.	1129				
27. To record depreciation on furniture and equipment excluding vehicles					
Depreciation-Office Furniture & Equipment	5600-1				
Depreciation-Building Equipment	5600-2				
Depreciation-Teaching and Child Care Furn. & Eqpt.	5600-3				
Depreciation-Kitchen Equipment	5600-5				
Accumulated Depreciation-Furn. & Eqpt.	1119				
28. To record depreciation of vehicles					
Depreciation - Vehicles	5600-8				
Accumulated Depreciation-Vehicles	1139				
29. To record donated fixed assets					
Donated Fixed Assets	1140				
Donated Equity	3010				
30. To set up Depreciation on Donated Fixed Assets					
Donated Equity	3010				
Accumulated Depreciation-Donated Fixed Assets	1149				
31. To allocate deferred expense					
Expense Accounts (Specify)					
Deferred Expenses	1150				

ILLUSTRATION 9
(cont'd.)

SUPPLEMENTARY GENERAL JOURNAL ENTRIES

REPORTING PERIOD		FROM _____ TO _____			
	ACCOUNT	REVERSAL		SET-UP	
ENTRY NUMBER AND DESCRIPTION	NUMBER	DEBIT	CREDIT	DEBIT	CREDIT
32. To set up expense payable to a Parent Organization/Central Agency					
Indirect Administrative Expense	6000-1				
Accounts Payable	2010				
33. To set up corporate income taxes					
Federal Corporate Income Tax	7000				
Accrued Corporate Income	2050				

APPENDIX 5

PETTY CASH FUND

The petty cash fund is a set amount of cash available in the office to be used for small, incidental, cash expenses or cash purchases. The amount of the fund should be sufficient to cover only the unplanned, irregular, occasional, small expenses.

A petty cash fund should be established by withdrawal from the General Bank Account (a CREDIT to Cash in Bank-Unrestricted) and should be kept under general ledger control. This means that a check should be made payable to Custodian (name)—Petty Cash Fund for the amount at which the petty cash fund has been set. The general ledger asset account Petty Cash Fund will be DEBITED by posting from the cash disbursements journal.

Once established, this fund should be maintained on an imprest basis, which means that the amount of the fund will remain constant and that the custodian will be reimbursed by check on the general bank account for amounts paid out of the petty cash fund upon presentation of evidence of such disbursements. The amount of the reimbursing check should always be for the exact amount of the disbursements made from the fund, the end result being that the previous cash level of the fund is reestablished.

One person should be designated as custodian of the petty cash fund, and only that one person is authorized to disburse money from the petty cash box and is therefore responsible to management. All disbursements from the petty cash box should be authorized by a responsible person.

DUTIES OF THE CUSTODIAN MAKING PETTY CASH DISBURSEMENTS

Prenumbered petty cash vouchers are required for systematic control of disbursements made from the petty cash fund.

A petty cash voucher should be completed *in ink* for *each* disbursement made showing the date, the amount disbursed, the items being reimbursed, the signature of authorization, and the signature of the person requesting the reimbursement. Using the chart of accounts, enter the account number on the voucher. The completed vouchers should be kept in numerical order in the petty cash box to be used later as evidence for reimbursement of the petty cash fund.

No checks should be cashed out of the petty cash fund for the convenience of employees and others. If a check has been cashed out of petty cash, that check should be presented to the bank for payment as promptly as possible and the cash received therefrom returned to the fund.

Petty Cash Voucher

No. 0001

PETTY CASH VOUCHER

Date: 7/24/72

Amount: $1.50

For: Band aids and iodine

Authorized by: Mary Brown

Account No. 5300-6

Signature: Dew Jones

REIMBURSEMENT OF PETTY CASH FUND

The petty cash fund should be reimbursed as often as necessary and must *always* be reimbursed at the end of each reporting period.

(1) Ensure that the petty cash vouchers being presented for reimbursement are in continuous, numerical order, that is, the first number follows the last voucher reimbursed, and the last number precedes the unused vouchers.

(2) Run adding machine tape on the amounts shown on each voucher. This total represents the total amount of reimbursement.

(3) Check the amount of cash in the petty cash box. This amount plus the total amount of reimbursement from step 2 should equal the amount shown in the general ledger account Petty Cash Fund.

(4) Recap the total reimbursement showing the account distribution using the information on each voucher (amount and account number).

(5) A request for reimbursement (make one original and one carbon copy minimum) should be presented to management for examination and approval. This request should include all pertinent information and all vouchers (with paid invoices attached) to be covered by the reimbursement.

(6) The custodian should keep the carbon copy of the request in the petty cash box until she receives the cash reimbursement.

(7) When the check is received for petty cash reimbursement, the custodian is responsible for cashing this check and putting the cash in the petty cash box. At this point the carbon copy of the request may be filed for reference.

APPENDIX 5

Request for Petty Cash Fund Reimbursement

July 31, 1972

Petty Cash Fund per ledger	$25.00
Petty Cash on-hand	9.00
Amount to be reimbursed	$16.00

A check in the amount of $16.00 is requested to reimburse petty cash fund for disbursements made on the attached petty cash vouchers 001 through 020 to be charged to the following accounts:

RECAP:	Account No.	Amount
	5300–1	$ 3.00
	5300–2	1.90
	5300–3	1.40
	5300–5	2.10
	5300–6	4.00
	5703–1	2.60
	5704–1	1.00
		$16.00

Approval to issue check: Lydia Block
(Authorized Signature)

BOOKKEEPER'S RESPONSIBILITIES

(1) Check to see that request for petty cash reimbursement, vouchers, and recap are correct.

(2) Issue check using account distribution numbers as shown on recap.

(3) Mark each voucher paid with date and check number.

(4) Enter check in cash disbursements journal.

RESPONSIBILITIES OF MANAGEMENT RE: REIMBURSEMENT OF PETTY CASH FUND

(1) Review request for reimbursement of petty cash fund.

(2) Account for all vouchers used, making sure that none is missing, that each voucher has been completed correctly, and that each receipt has two signatures.

(3) Check the petty cash box to ensure it is in balance.

(4) Check the use of petty cash fund making sure it has been used for small expense amounts and that these expenses were for authorized purposes.

(5) Approve issuance of check for reimbursement by signing request for reimbursement and pass signed request to bookkeeper.

In addition, the management has the responsibility of approving (by signing) receipts and vouchers *before* the custodian makes a disbursement from petty cash. Management also should make unscheduled random checks on the petty cash box. If checks have been cashed from petty cash, make sure that these checks are held no longer than necessary to cash them. Postdated checks should *never* be cashed. Management also evaluates the use of the fund and decides whether to increase or decrease the amount of the fund.

APPENDIX 6

DEPRECIATION

Depreciation refers to the decreases in the value of an item of equipment due to wear and tear, decay, and the like.

Depreciation can be an informative part of a cost analysis. By comparing the depreciation of purchased equipment for a year to the yearly rental cost for comparable items a director can determine whether purchase is more economical than rental. If the center has been incurring frequent or expensive repair costs, the director can also examine depreciation *plus* repair costs for purchased items and compare this cost to the cost of renting equipment.

Depreciation is to be figured on every asset purchased or donated, except land, that costs more than $250 and on any building improvement costing more than $500 and which has an estimated useful life of more than one year.

To figure depreciation for a year: divide the cost of the item less salvage value by the number of years (estimated life) it is expected to last or to be used by the center. For example: a center bought $500 worth of classroom equipment (25 desks at $20 each) in January 1970. The life of the desks was estimated to be ten years. The salvage value was estimated to be $100. Subtract salvage value from cost. $500–$100 = $400. Divide $400 by 10 (years). The result, forty dollars ($40), is the depreciation allowance for 1970 for these desks.

The Internal Revenue Service Procedure 62-21 has set up the following guidelines for figuring estimated life.

Item	Average Useful Life
Buildings	50.0 years
Camp structures and equipment	33.3 years
Furniture and equipment	10.0 years
Vehicles	5.0 years

These are merely general guidelines. A director must use judgment to estimate the life of an item. Consideration should be given to physical deterioration caused by use or action of the elements, obsolescense, the age of the item when it was acquired, and the center's policy on upkeep and repairs.

Salvage value is the estimated net amount realizable from the sale of an asset when it is no longer usable in a business. A center's own practice has a great deal to do with the amount of estimate salvaged value. If its policy is to dispose of assets while they are still in good working condition, the salvage

value probably will be a substantial amount. But if it is customary to use an asset for the entire period of its useful life, then the salvage value will be no more than junk value.

DEPRECIATION SCHEDULE FOR FIXED ASSETS

Illustration 10 shows a completed "Depreciation Schedule for Fixed Assets" which would apply to an average day care center. However, if the operation is large, the following five schedules are recommended to facilitate keeping records of assets up-to-date by allowing space for recording new acquisitions and purchases while categorizing these assets at the same time.

1. **Buildings and Building Improvements**—for depreciation on buildings purchased by the center and on improvements made to such buildings
2. **Leasehold Improvements**—for amortization of improvements made by the center to facilities it uses or rents but does *not own*
3. **Furniture and Equipment**—for depreciation on furniture and equipment purchased by the center
4. **Vehicles**—for depreciation on cars, buses, and other vehicles purchased by the center
5. **Donated Fixed Assets**—for depreciation on all fixed assets donated to the center including buildings, furniture and equipment, and vehicles

The format as illustrated will be the same for all schedules, and the instructions given will apply to all schedules used. Illustration 10 is set up for quarterly reports. If a center is reporting on a monthly basis, the form should show twelve reporting periods.

All purchases and acquisitions of fixed assets must be entered on the schedules.

If an asset is discarded, it should be marked "discarded" with the date indicated. See Illustration 10.

The straight-line method of depreciation is to be used in all cases. This method of depreciation assumes that depreciation is a uniform function of time—that the depreciation occurring in one hour or day of the life of an asset is identical in amount to that occurring in every other hour or day, assuming no change in base in the meantime.

Assets acquired and put into use during the reporting period should be depreciated starting with the date of acquisition. See Illustration 10.

INSTRUCTIONS FOR COMPLETING DEPRECIATION SCHEDULE FOR FIXED ASSETS

Asset (1) Enter the name of the asset. Be specific. For example, entering equipment is *not* sufficient. Classroom desks, kitchen equipment, and bus, etc. are necessary and more informative. Assets are to be listed in order of acquisition with older assets entered first. Each purchased and donated asset must be entered on the schedule, *preferably* on the day acquired. List donated assets apart from purchased assets as illustrated.

Date of Acquisition (2) Enter the day, the month, and the year when the asset was acquired. If the date is unknown, as with an older asset, estimate the date and note it as an estimate. Example. 1965 (est.)

APPENDIX 6

ILLUSTRATION 10

DEPRECIATION SCHEDULE FOR FIXED ASSETS – JANUARY 1, 1972 – DECEMBER 31, 1972

							REPORTING PERIODS								
ASSET	Date of Acquisition	Estimated Years Useful Life	Cost	Salvage Value	Original Depreciable Balance	Prior Accumulated Depreciation	1st 3-31-72	CODE	2nd 6-30-72	CODE	3rd 9-30-72	CODE	4th 12-31-72	CODE	1972 Depreciation For Year
Classroom Desks	6-30-67	5	$4,210.00	$210.00	$4,000.00	$3,600.00	$200.00	3	$200.00	3	Discarded		7-1-72	-	$400.00
Playground Equipment	1- 1-72	8	3,800.00	200.00	3,600.00	-0-	112.50	3	112.50	3	$112.50	3	$112.50	3	450.00
Classroom Desks	7- 1-72	5	5,270.00	270.00	5,000.00	-0-	-0-	3	-0-	3	250.00	3	250.00	3	500.00
					RECAP:	Office	-0-	1	-0-	1	-0-	1	-0-	1	-0-
						Building	-0-	2	-0-	2	-0-	2	-0-	2	-0-
						Teaching &	312.50	3	312.50	3	362.50	3	362.50	3	1,350.00
						Child Care									
						Kitchen	-0-	5	-0-	5	-0-	5	-0-	5	-0-
						Vehicles	-0-	8	-0-	8	-0-	8	-0-	8	-0-
DONATED:															
Stove (new)	12-1-70	10	425.00*	25.00	400.00	-0-*	10.00	5	10.00	5	10.00	5	10.00	5	$ 40.00
Refrigerator (new)	12-1-71	10	650.00*	50.00	600.00	-0-*	15.00	5	15.00	5	15.00	5	15.00	5	60.00
Car (used)	9-1-72	3	2,900.00	200.00	2,700.00	-0-	-0-	8	-0-	8	75.00	8	225.00	8	300.00
					RECAP:										
						Building**	-0-		-0-		-0-		-0-		-0-
						All other									
						Assets	25.00		25.00		100.00		250.00		400.00
						Total	25.00		25.00		100.00		250.00		400.00

*No depreciation reported prior to 1/1/72 and estimate reflects value at that date.

**Transfer this total to Worksheet No. 5, page 2, column C, line 26.

Estimated Years Useful Life (3) Enter the number of years the item is expected to be used by the center. If a *used* asset is acquired (purchased or donated), an estimate of either how long the center expects the asset to last or how long the center expects to use the asset should be made.

Cost (4) Enter the cost of the asset. If the asset was donated, estimate its current fair market value.

Salvage Value (5) Estimate the salvage value after its useful life. Enter the estimate only if significant, that is 5 percent or more of the original cost. Salvage value is *not* estimated for buildings, building improvements, and leasehold improvements. Mark the column with a dash in these cases.

Original Depreciable Balance (6) Subtract the salvage value from the cost and enter the resulting amount in this column.

In the case of a trade-in, it is recommended that the center establish the basis for depreciation on a new asset acquired through a trade-in of an older asset by using the following formula:

Original cost of old asset to be traded in (plus any capital improvements made subsequent to the time of original purchase)	$_____
Less: depreciation taken to date of trade	_____
Book value (depreciated value)	_____
Add: dollar cost of acquiring new asset	_____
Adjusted basis of new asset	_____

Prior Accumulated Depreciation (7) Enter the total amount of depreciation applicable since the acquisition of the asset.

Example: Classroom desks purchased 6-30-67 for $4,210 have estimated useful life of five years and salvage value of $210 leaving a depreciable balance of $4,000.

$4,000 ÷ 5(years) = $800 (depreciation per year or annual depreciation)

Period	Depreciation Taken	Accumulated Depreciation
6-30-67 to 12-31-67	$400	$ 400
1 - 1-68 to 12-31-68	800	1,200
1 - 1-69 to 12-31-69	800	2,000
1 - 1-70 to 12-31-70	800	2,800
1 - 1-71 to 12-31-71	800	3,600

Thus up to 1-1-72 the prior accumulated depreciation to be reported for the classroom furniture is $3,600. See Illustration 10.

Reporting Periods (8) Enter the depreciation in the appropriate reporting period column for each period the asset is in use or is owned by the center.

If reporting quarterly, this will be one-fourth of annual depreciation; if monthly, one-twelfth of annual depreciation.

Code (9) Enter the appropriate code number for the type of equipment. See recap at bottom of depreciation schedule for code numbers.

Depreciation for Year (10) Enter the total amount of depreciation taken for the asset during the year, that is, the total for all reporting periods.

Follow steps 1 through 10 for each asset acquired by the center.

Recap Recap the total depreciation expense for purchased assets applicable to the reporting period by type of asset, that is:

1. Total all amounts coded "1" and enter on recap line titled "Office."
2. Total all amounts coded "2," etc., and enter on the appropriate recap lines. See Illustration 10.

Recap the total depreciation expense for donated assets in the same manner.

APPENDIX 7

SCHEDULE OF UNEXPIRED INSURANCE

Unexpired insurance is the term applied to the amount of insurance expense applicable to the remaining life of an insurance policy.

A schedule of unexpired insurance should be designed to take into account the requirements of a center's reporting system and should include all of the following information:

- policy number
- name of the insurance company or carrier
- type of insurance
- coverage
- term of the policy
- amount of the premium paid
- the expense per reporting period
- the amount unexpired at the end of each reporting period

Illustration 11 has been designed for a center that prepares financial statements quarterly. If a center prepared monthly financial statements, there would be twelve monthly "expense" and "unexpired" columns in place of the four quarterly columns shown in the illustration.

The schedule should be completed for the remainder of the year as soon as a premium(s) has been paid. This ensures that the schedule is always current so that the actual total cost of all insurance and the cost of each type of insurance policy is readily available for any required period.

INSTRUCTIONS FOR COMPLETING SCHEDULE OF UNEXPIRED INSURANCE

(1) Enter the policy number, the name of the insurance company or carrier, the specific type of insurance, the coverage, the term of policy (period covered), and total amount of the premium paid.

(2) Divide the amount of the total premium paid by the number of months the policy covers and enter the resulting amount in the "Expense per Month" column.

(3) If quarterly financial statements are prepared, enter three months' worth of insurance expense in the appropriate quarterly expense column(s). If monthly financial statements are prepared, enter one month's worth of insurance expense in the appropriate monthly expense column(s).

ILLUSTRATION 11

SCHEDULE OF UNEXPIRED INSURANCE – 1972

Policy Number	Insurance Company or Carrier	Type of Insurance	Coverage	Term of Policy	Premium	Expense Per Month	1st Quarter Expense*	Account Number	Unexpired 3-31-72	2nd Quarter Expense	Account Number	Unexpired 6-30-72	3rd Quarter Expense	Account Number	Unexpired 9-30-72	4th Quarter Expense	Account Number	Unexpired 12-31-72
001-896-432	XYZ Insurance Company	Workmen's Compensation	Statutory	1-1-72 to 1-1-73	$120	$10	$30	5105	$ 90	$ 30	5105	$ 60	$ 30	5105	$ 30	$ 30	5105	-0-
777-405-312	Reliable Insurance Company	Bonding	(specify)	2-1-72 to 2-1-73	72	6	12	5106	60	18	5106	42	18	5106	24	18	5106	6
831-266-761	House Guard	Building (Liability, Fire, E.C.)	(specify)	3-1-72 to 3-1-75	540	15	15	5405-2	525	45	5405-2	480	45	5405-2	435	45	5405-2	390
103-204-811	Independent	Vehicle	(specify)	4-15-72 to 4-15-73 **	480	40	-0-	5705-8	-0-	120**	5705-8	360	120	5705-8	240	120	5705-8	120
		TOTAL					$ 57	1070	$675	$213	1070	$942	$213	1070	$729	$213	1070	$516

* This schedule assumes that financial statements are prepared quarterly.

** For ease of handling, if term of policy begins on or before the 15th day of a month, an entire month's expense should be calculated. If the term begins on or after the 16th day of a month, no expense should be calculated for that month.

(4) Enter the applicable insurance account number from the general ledger chart of accounts.

(5) At the end of each reporting period subtract the expense for that period from the previous period's *unexpired* amount.

(Use the amount of premium paid for "previous period's unexpired amount" at the end of the first reporting period during which the insurance coverage was initiated.)

(6) Total all expense columns and all unexpired columns.

APPENDIX 8

EMPLOYEE EARNINGS RECORD

An employee earnings record is used to record all the payroll entries for one employee so that at any given time the sheet reflects the accumulated totals for the calendar year. Minimum columnar headings are:

Gross Salary (before deductions)
Federal Withholding Tax (deduction from gross salary)
FICA (Social Security) (deduction from gross salary)
State Withholding Tax (deduction from gross salary)
Net pay (Gross salary less all deductions)

Additional columnar headings may be set up to reflect payroll deductions for:

City Withholding Tax
Employee fringe benefits (e.g., hospitalization insurance)
Tuition for employee's child (deducted from gross salary)
Other

Employee earnings records are maintained for *all* salaried individuals.

PROCEDURE

(1) Record all payroll entries on the record of employee earnings and use this as source for issuing payroll checks.
(2) At the end of the month, total all columns and enter a subtotal for *that* month.
(3) Ensure that the subtotals add across (net pay plus all payroll deductions must equal gross salary).
(4) Repeat steps 1 through 3 for each month of the calendar quarter.
(5) At the end of the *quarter,* add the three monthly totals together on each employee earnings record to arrive at quarterly total, ensuring that subtotals still add across.
(6) Take adding machine totals of each column on the earnings record for each employee to obtain grand totals on all employees.
(7) When completed, these grand totals must agree with the accumulated monthly totals of the cash disbursements journal for the applicable quarter and applicable account.
(8) Repeat this procedure each quarter of the calendar year so that at the end of the year both individual monthly and quarterly totals are shown to arrive at a grand total for the calendar year.

APPENDIX 9

OTHER FINANCIAL STATEMENTS

This Appendix contains formats and instructions for completion of Statement of Cash Receipts and Cash Disbursements, Balance Sheet, and Financial Statement.

STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS

Since most agencies or centers are funded or reimbursed on the basis of *cash* actually expended, it is necessary to prepare a "Statement of Cash Receipts and Disbursements" to determine the exact amounts for each reporting period.

This is accomplished by using two journals—the cash receipts journal, and the cash disbursements journal. *All* month-end totals from the two journals are entered on the statement. If the statement to be prepared is for a period in excess of one month, then each month must be *accumulated* to provide amounts for the applicable reporting period.

Cash Receipts and Disbursements Statement
ABC Day Care Center
Statement of Cash Receipts and Disbursements
Month of January 1972

CASH RECEIVED		
Tuition	$_____	
Registration	_____	
Special fees	_____	
Transportation	_____	
Memberships	_____	
TOTAL CASH RECEIVED		$_____
CASH DISBURSED		
Gross salaries	$_____	
Other compensation	_____	
Advertising	_____	
Special fees	_____	
Supplies	_____	
Equipment purchases	_____	
TOTAL CASH DISBURSED		$_____
Excess of Cash Receipts over Cash Disbursements		$_____
Excess of Cash Disbursements over Cash Receipts		$_____

APPENDIX 9

INSTRUCTIONS FOR COMPLETING FORM E
BALANCE SHEET

Current Assets

(1) **Cash-Unrestricted:** enter the total of the balances for Accts. #1010 and 1012.

(2) **Accounts/Pledges Receivable:** enter the total of the balances from Accts. #1020, 1021, 1022, 1023, and 1024.

(3) **Notes Receivable:** enter the balance from Acct. #1025.

(4) **Total-All Receivables:** enter total from steps 2 and 3.

(5) **Allowance for Uncollectible Accounts/Pledges:** enter the balance from Acct. #1029.

(6) Subtract the amount in step 5 from the amount in step 4 and enter the result on line provided.

(7) **Mortgage Receivable:** enter the balance from Acct. #1040.

(8) **Supply Inventory:** enter the balance from Acct. #1050.

(9) **Supply Inventory-Donated:** enter the balance from Acct. #1051.

(10) **Marketable Securities-Unrestricted:** enter the balance from Acct. #1060 on the line provided. (If the current market value of the securities is *greater* or *less* than the amount shown in the balance of Acct. #1060, enter the market value under the title "Marketable Securities-Unrestricted.") Market value may be obtained by reference to stock quotations on the balance sheet date.

(11) **Unexpired Insurance:** enter the balance from Acct. #1070.

(12) **Prepaid Expenses:** enter the total of the balances from Accts. #1080 and 1081.

(13) **Total Current Assets-Unrestricted:** enter the total of amounts in step 1 and steps 6 through 12.

Fixed Assets

(14) **Land:** enter the balance from Acct. #1090 under column headed "Basis."

(15) **Buildings and Building Improvements:** enter the balance from Acct. #1100 under the column headed "Basis."

(16) **Accumulated Depreciation-Buildings and Building Improvements:** enter the balance from Acct. #1109 under column headed "Accumulated Depreciation/Amortization."

(17) **Furniture and Equipment:** enter the balance from Acct. #1110 under the column headed "Basis."

(18) **Accumulated Depreciation-Furniture and Equipment:** enter the balance from Acct. #1119 under the column headed "Accumulated Depreciation/Amortization."

(19) **Leasehold Improvements:** enter the balance from Acct. #1120 under the column headed "Basis."

(20) **Accumulated Amortization-Leasehold Improvements:** enter the balance from Acct. #1129 under column headed "Accumulated Depreciation/Amortization."

FORM E

BALANCE SHEET

ASSETS

CURRENT ASSETS

Cash – Unrestricted		$	
Accounts/Pledges Receivable	$		
Notes Receivable			
Total – All Receivables	$		
Less: Allowance for Uncollectible Accounts/Pledges			
Mortgage Receivable			
Supply Inventory			
Supply Inventory – Donated			
Marketable Securities – Unrestricted (Market Value $ _____)			
Unexpired Insurance			
Prepaid Expenses			
Total Current Assets – Unrestricted			$

FIXED ASSETS

	Basis	Accumulated Depreciation/ Amortization	Book Value
Land		– 0 –	
Buildings and Building Improvements			
Furniture and Equipment			
Leasehold Improvements			
Vehicles			
Donated Assets			
TOTALS			

Net Fixed Assets $

OTHER ASSETS

Deferred Expenses $

Total Unrestricted Assets $

RESTRICTED ASSETS

Cash – Restricted	$	
Marketable Securities – Restricted (Market Value $_____)		
Total Restricted Assets		$
Total Assets		$

FORM E
(cont'd. - 2)

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Accounts Payable		$_____
Notes Payable		_____
Mortgage Payable		_____
Accrued Interest Payable		_____
Accrued Salaries		_____
Accrued Other Compensation		_____
Accrued Employee Benefits		_____
Accrued Payroll Taxes		_____
Accrued Other Taxes		_____
Accrued Corporate Income Taxes		_____
Total Current Liabilities		$_____

RESTRICTED LIABILITIES AND DEFERRED INCOME

Liability for Funds designated for Investment		$_____
Deferred Income		_____
Total Restricted Liabilities and Deferred Income		$_____

EQUITY

Donated Equity		$_____
Fund Equity – Beginning of Period	$_____	
Profit or (Loss) from Form F	_____	
Fund Equity – End of Period		$_____
Total Equity		$_____
Total Liabilities and Equity		$_____

(21) **Vehicles:** enter the balance from Acct. #1130 under the column headed "Basis."

(22) **Accumulated Depreciation-Vehicles:** enter the balance from Acct. #1139 under the column headed "Accumulated Depreciation/Amortization."

(23) **Donated Fixed Assets:** enter the balance from Acct. #1140 under the column headed "Basis."

(24) **Accumulated Depreciation-Donated Fixed Assets:** enter the balance from Acct. #1149 under the column headed "Accumulated Depreciation/Amortization."

(25) **Book Value:** to arrive at this figure, subtract the balance entered in the column headed "Accumulated Depreciation/Amortization" from the amount entered in the column headed "Basis."

(26) **Totals:** add all amounts under each of the three columns and enter totals.

(27) **Net Fixed Assets:** enter the total from the column headed "Book Value."

Other Assets

(28) **Deferred Expenses:** enter the balance from Acct. #1150.

(29) **Total Unrestricted Assets:** enter here the sum of total Current Assets-Unrestricted, Net Fixed Assets, and Deferred Expenses (steps 13, 27, and 28).

Restricted Assets

(30) **Cash-in-Bank-Restricted:** enter the balance from Acct. #1011.

(31) **Marketable Securities-Restricted:** enter the balance from Acct. #1061 on line provided. (If the current market value of the securities is *greater* or *less* than the amount shown in the balance of Acct. #1061, enter the market value under the title "Marketable Securities-Restricted.") The market value may be obtained by reference to the stock quotation on the balance sheet date.

(32) **Total Restricted Assets:** enter the total of amounts in steps 30 and 31.

(33) **Total Assets:** enter here the sum of total Unrestricted Assets plus the total Restricted Assets (steps 29 and 32).

Current Liabilities

(34) **Accounts Payable:** enter the balance from Acct. #2010.

(35) **Notes Payable:** enter the balance from Acct. #2011.

(36) **Mortgage Payable:** enter the balance from Acct. #2012.

(37) **Accrued Interest Payable:** enter the balance from Acct. #2020.

(38) **Accrued Salaries:** enter the balance from Acct. #2021.

(39) **Accrued Other Compensation:** enter the balance from Acct. #2022.

(40) **Accrued Employee Benefits:** enter the balance from Acct. #2023.

(41) **Accrued Payroll Taxes:** enter the grand total of the balances from the following accounts:

a) Accrued Federal Withholding Tax Acct. #2030
b) Accrued State Withholding Tax Acct. #2031
c) Accrued City Withholding Tax Acct. #2032
d) Accrued FICA (Social Security) Acct. #2033
e) Accrued Federal Unemployment Tax Acct. #2034
f) Accrued State Unemployment Tax Acct. #2035

(42) **Accrued Other Taxes:** enter the balance from Acct. #2040.

(43) **Accrued Corporate Income Taxes:** enter the balance from Acct. #2050.

(44) **Total Current Liabilities:** enter total of amounts in steps 34 through 43.

Restricted Liabilities and Deferred Income

(45) **Liability for Funds Designated for Investment:** enter the balance from Acct. #2060.

(46) **Deferred Income:** enter the total of the balances from Accts. #2070, 2071, and 2072.

(47) **Total Restricted Liabilities and Deferred Income:** enter the total of amounts in steps 45 and 46.

Equity

(48) **Donated Equity:** enter the balance from Acct. #3010.

(49) **Fund Equity-Beginning of Period:** enter the balance from Acct. #3020 (this amount represents the carry-over of Fund Equity from the previous year).

(50) **Profit or (Loss) from Form F:** enter the amount from the last line on Form F "Net Income or (Loss) after Taxes."

(51) **Fund Equity-End of Period:** enter the total of amounts in steps 49 and 50.

(52) **Total Equity:** enter the total of steps 48 and 51.

(53) **Total Liabilities and Equity:** enter the total of sum of Total Current Liabilities, Total Restricted Liabilities and Deferred Income, and Total Equity (steps 44, 47, and 52).

INSTRUCTIONS FOR COMPLETING FORM F FINANCIAL STATEMENT

The balance from the general ledger account is the closing balance at the end of a reporting period *less* the opening balance at the beginning of the same period.

Income

(1) Enter the total of the balances from Acct. #4100 Series

(2) Enter the total of the balances from Acct. #4200 Series

Total: Enter total of 1 and 2.

FORM F

FINANCIAL STATEMENT

for the period _____ through _____.

INCOME

1. Fees and Direct Payments	$_____	
2. Other Revenue	_____	
TOTAL		$_____

EXPENSE

1. Personnel	$_____	
2. Special Fees	_____	
3. Supplies	_____	
4. Facilities	_____	
5. Conferences, Workshops, and Special Events	_____	
6. Furniture and Equipment	_____	
7. Other	_____	
8. Nonoperational	_____	
9. Indirect Administrative Expense		
TOTAL		$_____

NET INCOME OR (LOSS) BEFORE IMPUTATIONS $_____

IMPUTED INCOME $_____

IMPUTED EXPENSE

1. Services	$_____	
2. Equipment	_____	
3. Supplies	_____	
4. Other	_____	
TOTAL		$_____

NET IMPUTED INCOME $_____

NEW INCOME OR (LOSS) $_____

CONTRIBUTIONS

1. Revenue from Governmental Sources	$_____	
2. Cash Contributions	_____	
TOTAL		$_____

EXCESS OR (DEFICIT) $_____

SUPPORT FROM PARENT ORGANIZATION/CENTRAL AGENCY $_____

NET EXCESS OR (DEFICIT) $_____

TAXES (if applicable) $_____

NET INCOME OR (LOSS) AFTER TAXES $_____

Expense

(1) Enter the total of the balances from Acct. #5100 Series

(2) Enter the total of the balances from Acct. #5200 Series

(3) Enter the total of the balances from Acct. #5300 Series

(4) Enter the total of the balances from Acct. #5400 Series

(5) Enter the total of the balances from Acct. #5500 Series

(6) Enter the total of the balances from Acct. #5600 Series

(7) Enter the total of the balances from Acct. #5700 Series

(8) Enter the total of the balances from Acct. #5800 Series

(9) Enter the total of the balance from Acct. #6000-1

Total: Enter total of 1 through 9.

Net Income or (Loss) Before Imputation

Subtract total Expense from total Income and enter the result.

If total expense is greater than total income, enter the result as $<_____>.

Imputed Income

Enter the combined total of amounts taken from Worksheet No. 4, Column 9, line 33, and Worksheet No. 5, page 2, Column F, line 35.

Imputed Expense

(1) Enter the amount taken from Worksheet No. 4, Column 9, line 33.

(2) Enter the amount taken from Worksheet No. 5, page 1, Column H, line 17.

(3) Enter the amount taken from Worksheet No. 5, page 1, column H, line 40.

(4) Enter the amount taken from Worksheet No. 5, page 2, Column H, line 34.

Total: Enter total of 1 through 4.

Net Imputed Income

Subtract total Imputed Expense from Imputed Income and enter the result.

Net Income or (Loss)

Add Net Imputed Income and Net Income (or Loss) Before Imputation and enter the result. (If a loss, enter as $<_____>).

Contributions

(1) Enter the total of balances from Acct. #4400 Series

(2) Enter the total of balances from Acct. #4500 Series

Total: Enter the total of 1 and 2.

Excess or (Deficit)

Add total Contributions and Net Income or (Loss) and enter result. (If a deficit enter as $<_____>).

Support from Parent Organization/Central Agency

Enter the balance from Acct. #4610.

Net Excess or (Deficit)

Add Support from Parent Organization/Central Agency and Excess or (Deficit) and enter the result. (If a deficit, enter as $<_____>).

Taxes

Enter the balance from Acct. #7000-1.

Net Income or (Loss) After Taxes

Subtract Taxes from Excess or (Deficit) and enter the result.